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SECTORAL PLANNING IN SUBREGIONAL ARRANGEMENTS

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I. INTRODUCTION

A. Background and objectives of the study

1. At its third session held in 1977, the Joint Conference of African Planners, Statisticians and Demographers requested the secretariat to prepare a study on sectoral planning within the subregional co-operation structures in Africa. The objective of the study was to see to what extent the efforts made by the subregional co-operation organizations had resulted in the institution of sectoral planning as an instrument for co-ordination, harmonization and economic integration, and to evaluate the results achieved in the area of co-operation and subregional planning. The underlying concern is to identify the main problems and obstacles encountered as well as to seek ways and means of strengthening such co-operation in line with the Lagos Plan of Action and Final Act of Lagos.

2. As the first part of a series which will cover all sectors of the economy, this study focusses on planning in the agricultural and industrial sectors of three subregions in Africa - west, central and southern Africa. The two sectors were selected because of their importance in the economy and the role they play or will be called upon to play in developing the economies of the countries. Agriculture, in fact, accounts for 40 to 60 per cent of GDP in most of the countries covered by the organizations concerned. Nearly 80 per cent of the population derive their livelihood and most of their income from agriculture. The sector is important also because it provides the bulk of raw materials for industry and is the source of most of the countries' export earnings. Over the last decade, and at a time when Africa is facing rapid population growth and urbanization, the food and agriculture situation has seriously deteriorated mainly because of recurrent drought and the retention of outmoded production systems. Food production and consumption have fallen short of nutritional needs. The crisis has compelled Governments to place the emphasis in their development plans on growth in the rural sector in order to attain the objective of food self-sufficiency set forth in the Lagos Plan of Action.

3. Although the share of the industrial sector remains relatively small in the economy of most of the countries (from 7.2 to 27 per cent of GDP), this sector is called upon to play a fundamental role in the development of African countries, in the light of their enormous natural resources. Industrialization is also one way of making the countries less dependent on the outside world for the supply of capital and intermediate goods which are currently imported. What is more, this sector can speed up the development of agriculture by providing the needed inputs and equipment.

4. All these reasons go to justify the selection of these two sectors as priority areas of the present study. They also justify the particular attention given to the planning, co-ordination and harmonization of development strategies and policies in the two sectors within the framework of subregional organizations. The main subregional co-operation organizations selected in the study are the Economic Community of West African States (ECOWAS), the West African Economic Community (CEAO), the Central African Customs and Economic Union (UDEAC), the

Southern African Development Coordination Conference (SADCC) and the Preferential Trade Area for Eastern and Southern African States (PTA). These organizations are currently the main co-operation and economic integration institutions operating at the sub-regional level.

I. General overview of sub-regional co-operation structures

(a) Origin and operating mechanisms

2. The establishment of these organizations responds to the need to pool the resources and means of member States in order to facilitate their economic development, the commendable efforts made at the national level having failed to bring about the economic and social development desired. The organizations were established at different points in time.

(i) UDEAC, the oldest, was set up in December 1964 by the Brazzaville Treaty which established a customs and economic union among Cameroon, the Congo, the Central African Republic, Gabon and Chad. Subsequently, the Brazzaville Treaty was revised in December 1974 and extended to cover Equatorial Guinea. The main institutions of UDEAC are the Council of Heads of State, the Management Committee, the Conference of Ministers for livestock development and the secretariat. The secretariat is the executive organ of the Union and is composed of two divisions, the first is composed of the departments of customs, taxation and statistics while the second covers the departments of industrial co-operation, scientific research, rural economy, transport, telecommunications and tourism.

(ii) CEAO was established in 1973. Its membership comprises Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger and Senegal. The organization's operations are based on the Conference of Heads of State, the Council of Ministers and the secretariat which implements decisions taken by the Conference of Heads of State and the Council of Ministers. The secretariat is made up of four substantive divisions, administrative and financial affairs, trade, rural development and industrial development;

(iii) ECOWAS was established in 1975 and counts Benin, Burkina Faso, Cape Verde, the Gambia, Ghana, Guinea, Guinea-Bissau, Cote d'Ivoire, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo as members. The main institutions of ECOWAS are: the Conference of Heads of State, the Council of Ministers and four substantive commissions specializing in the following areas (i) trade, customs, immigration, currency and payments; (ii) industry, agriculture and natural resources; (iii) transport, telecommunications and energy; (iv) social and cultural affairs;

(iv) SADCC was set up in 1980 and covers Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. The main institutions are the Summit of Heads of State, a Council of Ministers, the Steering Committee, the secretariat and the sectoral commissions. To date, only the transport and communications commission exists; the others are to be established later;

(v) The Preferential Trade Area for Eastern and Southern African States was created in 1981 and covers the 18 countries in the zone. Its structure is similar to that of the other organizations.

(b) Objectives and areas of action

6. Each of these organizations has set itself the same general objectives, namely:

(i) To promote and encourage the harmonious and balanced development of all economic activities conducted by member States, particularly in agriculture, industry, transport and animal husbandry, with a view to raising the living standards of the people;

(ii) To maintain economic stability and contribute to the development of the African continent;

(iii) To achieve the economic integration of their subregions by strengthening co-operation among member States and by creating free trade areas that will lead to a genuine common market.

7. To these general objectives set forth in the founding documents of these organizations is added the desire to co-ordinate and harmonize national policies more effectively with a view to defining common development strategies.

(c) Means of action

8. The means whereby these organizations operate come from:

(i) Their budget of contributions paid in by member States. Such budgetary resources are devoted exclusively to their operation;

(ii) Financial institutions set up within the framework of these subregional organizations such as the Fund for Co-operation, Compensation and Development of ECOWAS, the community development fund and the solidarity and guarantee fund of CEAO, the solidarity fund of UDEAC and the development bank for central African States. All have the objective of

promoting the development of the least developed member countries. Other subregional, financial institutions such as central banks responsible for monetary and credit policy can also be found;

(iii) External bilateral and multilateral assistance. Such resources tend to be used more as a complement to the operational budgetary resources than for financing development activities at subregional level. External assistance also involves a substantial component of technical assistance to strengthen the expertise of these subregional structures.

9. The study first analyses, for the reasons earlier mentioned, the situation with regard to planning in agriculture and industry. It formulates recommendations for the speedy institution of genuine sectoral planning at the subregional level.

II. AGRICULTURAL PLANNING AT THE SUBREGIONAL LEVEL

A. Overview of agricultural objectives

10. Agriculture is a very important sector in most of the African economies and, as a result, it has often received a lot of attention at the national level especially in the different national plans. This trend seems to be maintained at the subregional level where a lot of reference is made to the development of agriculture in the different treaties of subregional cooperation arrangements. Thus all the subregional groupings that are covered in this study have explicit proposals and articles covering the agricultural sector. However, there are differences in the general areas that are covered and the approaches that are envisaged in the different subgroupings. It is therefore pertinent to examine the overall objectives of cooperation in agriculture in the studied cooperation structures.

11. In ECOWAS, co-operation in agricultural development is outlined in articles 34, 35 and 33 of Chapter VI of the Treaty. The thrust of this cooperation in agriculture in this subgroupings is on (a) consultations in agricultural policies through regular exchange of information on experiences, research and rural development programmes and (b) establishment of a common agricultural policy covering all the basic areas of research, training, production and processing of agricultural products etc.

12. In the CEAO, agricultural cooperation activities are spelled out in protocols A, D and E of the treaty. These relate mainly to the common promotion of the development of agriculture, livestock, fisheries, water and forestry. The CEAO Treaty is also one of the very few subregional agreements that spell out the aspect of sectoral planning. In respect of agriculture, the treaty explicitly requests the secretariat of the organisation to study and propose an overall plan for (a) the production of and trade in agricultural products (b) production of and trade in livestock and related products (c) the promotion of water and forest development (d) the development of continental and sea fishing.

13. In the UDEAC, cooperation in the field of agriculture has only recently been incorporated in the new treaties of 1970 and 1974. The main elements of agricultural cooperation in the UDEAC structure include (a) co-ordination of agricultural production, processing and trade programmes, (b) agricultural research, (c) training and (d) the realisation of common agricultural projects. Although the 1974-treaty specifies structures to deal with agricultural cooperation there is no explicit treatment of planning the sector at the subregional level.

14. The areas in and approaches to agricultural co-operation in the PTA are given in Article 25 of Chapter 5 and in the protocol on co-operation in the field of agricultural development. The specific fields of agriculture in which the PTA member States include (a) overall agricultural development especially through research, coordination of the export of agricultural commodities, land and water resources, marketing and price stabilisation etc., (b) supply of staple foods and (c) agro-industries. Like most of the other subregional groupings, the treaty and its protocol do not make any explicit reference to the planning of the agricultural sector at the subregional level.

15. The basis of operations in the SADCC is the Plan of Action adopted by the SADCC Member States in 1980. Since this Plan of Action is sectoral in nature, there are generally well defined areas in agricultural co-operation in the sub-region. The main areas defined include (a) food security, (b) agricultural research and personnel training, (c) animal disease control, (d) fisheries, wildlife and forestry and, (e) soil and water conservation and land utilisation. It must, however, be emphasized that neither the Plan of Action nor the subsequent co-ordination efforts define the role of planning of the agriculture sector as a whole. Indeed, the highly decentralised approach of SADCC would seem to make an integrated sectoral planning approach relatively difficult since the different priority areas are co-ordinated independently of each other and each one is co-ordinated by a different country.

16. An overall analysis of the protocols and articles relating to cooperation in agriculture shows that while the sectoral objectives are often well articulated the ways and means of achieving the required results are often neglected. In this respect the most neglected part is the planning and rationalisation of the agricultural sector as a whole. Two explanations for this situation are possible. Firstly, the treaties might have made an implicit assumption that the aspect of planning for the sector of agriculture at the subregional level would be automatically undertaken by the secretariat or sectoral commissions of the subgrouping. Secondly, it is possible that most countries at the time of the creation of the subregional structures, felt that the planning of an important sector like agriculture had to be at the national level. This tended to the subregional level with only the role of co-ordination mainly industrial projects and programmes.

B. Approaches adopted in planning in the agricultural sector at the subregional levels

17. In spite of the fact that the various treaties establishing the different subregional co-operation arrangements did not lay particular or specific emphasis on the planning at the subregional level of the different sectors in which cooperation was desired and envisaged, certain approaches have been attempted at different levels to ensure a more coherent sectoral approach. These approaches differ both in scope and content from one subregion to another depending on various factors such as the institutionals structures involved in the elaboration and adoption of sectoral programmes, the resoruces available and the overall approach to cooperation in a given subregion. The main features of the various approaches for the five subregions studied are briefly outlined below.

(a) Agricultural planning in ECOWAS

18. As noted earlier the ECOWAS treaty did not give adequate attention to the aspect of planning at the subregional level. As such, there does not exist any specific structure for the planning of overall development in ECOWAS at a subregional level. Indeed, there is hardly any coherent sectoral planning of the key sectors like agriculture or industry even at level of the sectoral commissions that were established during the implementation of the ECOWAS treaty.

19. The general approach that has thus far been followed is that of undertaking a variety of studies with a subregional perspective. These studies have included those on trade and customs, monetary and fiscal issues, and sectoral assessments of developments in agriculture, industry and transport. Recently common agricultural policies were promulgated with a view to combatting famine, and achieving food self-sufficiency by the year 2000 as well as to arrest desertification in the subregion. While this present laudable effort is in the right direction of sectoral planning at the subregional level, it cannot be called subregional sectoral planning as such. This is mainly because the common agricultural policy does not have a well articulated, modus-operandi, in time and over countries to qualify as an integrated agricultural plan at the subregional level. More often than not, the common agricultural policy is limited to the definition of objectives and general strategy and hinges mainly on the definition of criteria for the selection of projects. It would be desirable to have the strategy buttressed by mechanisms of cooperation that take into account comparative advantages, possibilities of product specialisation etc.

(c) Agricultural planning in CEAO

20. Although CEAO does not have a fully developed general and sectoral planning structures the organisation has endeavoured torrespond to the needs of the member States through taking appropriate action to (a) respond to the urgent needs of individual countries including the support of agricultural projects that exist in national plans and (b) deal with subregional issues involving institutions etc. Further the CEAO has undertaken important agricultural programmes albeit without a long-term subregional perspective of the sector as a whole.

21. The importance of planning the agricultural sector at the subregional level in terms of setting objectives, priorities, approaches and identifying means to achieve the goals became very clear in the CEAO subregion in the early 1980s. The serious economic problems and the drought that afflicted the subregion have shown that pieceneal approaches by individual countries are not likely to bring about the needed subregional recovery. Thus in 1982, the member States adopted resolution 2/82/CM relating to the need to a subregional approach to rural development.

22. As a result of this resolution, the CEAO has started on the definition of a subregional common agricultural policy. Already, a study aiming at identifying the major elements of such a subregional agricultural approach has been undertaken by a consultant firm. However, the study which would have constituted a basis for a sectoral planning approach was found to contain many gaps and was not adopted by member States. It, therefore, still remains critical for the CEAO to evolve an agricultural plan at the subregional level to deal effectively and coherently with urgent issues like drought and desertification, food security and self-sufficiency, etc.

(c) Agricultural planning in the UDEAC

23. Until only recently the activities undertaken by UDEAC in agriculture involved mainly studies. A general study was made about agriculture including the specification of areas of cooperation and a study on the fertiliser industry was completed with the assistance of UNIDO. Another study was made on agricultural financing together with an exploration of the possibilities of creating a common agricultural credit bank.

24. To complement these efforts and to harmonize agricultural development in the UDEAC subgrouping an elaboration of a food strategy has been embarked upon by the UDEAC secretariat. In this exercise, it is proposed to set up units in each member States of UDEAC to work on a diagnostic analysis of the food situation, identify constraints to food self-sufficiency and propose approaches to a common food strategy. These national efforts would eventually be harmonized by a coordinating group at the UDEAC secretariat to arrive at a coherent subregional strategy.

25. Another aspect that illustrates the increasing awareness in UDEAC of the need for sectoral subregional planning relates to the efforts that are being made to train agricultural planners. FAO is participating in a project to train personnel of UDEAC in the planning of agricultural development with particular emphasis on the rural sector, agricultural policies and general planning and plan follow-up. This is a desirable effort since, in many cases, the absence of qualified personnel at the subregional level is one of the major obstacles to the consolidation of sectoral planning in cooperation arrangements.

(d) Agricultural planning in the SADCC

26. The decentralised nature of SADCC operations implicitly means decentralised planning and programme coordination. As of now, there does not exist a well articulated subregional agricultural plan in the SADCC group of countries. Indeed, the SADCC approach to agricultural cooperation has hitherto concentrated on projects which are believed to fit within the general principles on which agricultural cooperation in this subregion is based. The framework of agricultural cooperation is also itself characterised by a disaggregation into subsectoral areas corresponding to the various agricultural coordinating units. As such programmes in each agricultural subsector tend to be analysed and implemented without a thorough establishment of interdependences of the agricultural subsectors.

27. This situation is, however, in the process of being rectified. SADCC has come to the realisation that as its programmes grow in size, variety and complexity, there is also a growing need for both a macro-framework and sector-specific plans. It is therefore being planned to undertake a review and subsequently an elaboration of five year sectoral plans. These sectoral plans would endeavour to establish maximum coordination and rationalisation between related sectors. Guidelines have now been drawn up to ensure that sectoral programmes are, inter alia, (a) mutually supportive with well specified relationships between SADCC objectives and programmes and those of the member States, (b) coordinated at the operational level, and (c) established within parameters that enable a measuring of progress towards the achievement of the objectives.

(e) Agricultural planning in the PTA

28. The Preferential Trade Area of the Eastern and Southern African States is one of the youngest subregional grouping in Africa. This, of course, can mean that its programmes and their implementation are still in their infant stage. It can however, also mean that as a new cooperation effort, it should manifest a greater dynamism and should, in many ways, have approahces which take into account the experiences of the older cooperation structures in the region. In many respects, these expectations are proven correct by the present level of operational activities in the PTA.

29. Firstly, most of the programmes that the PTA has embarked on in agriculture and industry are still at the level of "project ideas". Feasibility studies of great interest have been completed for projects like the fertilizer and the iron and steel industries in the subregion. Secondly, many of the sectoral programmes that exist would seem to be mainly a conceptual framework. Indeed the agricultural plan for the subregion, is presently entitled as "A conceptual framework for inter-country specialisation, cooperation and complimentarity in subregional agricultural development". Nevertheless, it should be stressed that the PTA efforts undertaken so far constitute a very important basis for sectoral subregional cooperation. To a very large extent, the conceptualisation of the sectoral programmes in the PTA gives one of the best examples of how sectoral planning at the subregional level should be approached.

30. In the agricultural sector the subregional framework defines specific agricultural priorities and suggests operational subregional approahces to restructuring the agricultural sector. At the level of objectives and priorities, the subregional agricultural framework defines (a) the reinforcement of inter-country specialisation in the production of staple food crops, (b) the production of livestock and livestock products, (c) development of fisheries and forestry resources, (d) conservation and development of soil and water, (e) development of rationalised subregional agro-industries, and (f) manpower training and development.

31. For each of these priorities the agricultural framework defines subregional and country actions. For example, for food crops, the agricultural plan calls for specialisation in maize, sorghums, cassava and plantains for Eastern Africa while Southern Africa could specialise in pulses, maize and diversify into drought crops. However, to really have an implementable plan, there is need to identify the resources required, the sources of these resources, the phasing of the different subprogrammes of the plan and the specification of projects. It would therefore seem that the PTA still requires to complement its existing agricultural framework with these elements so as to establish an actual agricultural plan with a definable time-frame.

C. Major constraints to proper agricultural planning at the subregional level

32. The efforts that the various subregional organisations have undertaken to programme the implementation of common agricultural policies and projects illustrate the growing awareness of the need for planning and programming at the subregional level. However, the relatively limited success in promulgating subregional agricultural plans also points to the existence of certain basic impediments and

constraints that have hitherto hindered the consolidation of subregional planning, especially in the agricultural sector. Some of these constraints result from the peculiarities of the sector concerned and others result from the nature of sub-regional grouping. In either case, it is of paramount importance to fully understand the nature of problems so as to identify ways and means to make future efforts in sectoral planning at the subregional level more fruitful.

(a) Constraints to sectoral planning resulting from the nature of the agricultural sector in Africa

33. In most of the African countries the agricultural sector is of great importance in terms of the sector's contribution to GDP, employment and foreign exchange earnings. The high weight of agricultural activities at the national level has usually meant that in many cases national programmes are greatly pivoted on agriculture and the rural sector. This trend tends to make the planning of agriculture particularly important for the national governments and, by consequent, less amenable to being planned at a subregional level. Most countries would prefer to have most of the policies that are aimed at agricultural development within their own control rather than get them to be dealt with subregionally. Thus, issues in agricultural research, food self-sufficiency, diversification and expansion of export crops are taken as elements of significant national strategic concern.

34. In addition to the broad concern of keeping agricultural development within the control of the concerned nation, the structure of African agriculture imposes specific constraints to the planning of the sector in a subregional framework. These structural problems include: (i) the preponderance of subsistence production in total agricultural output; (ii) climatic dependence (iii) the export orientation of the monetised part of agricultural output; (iv) the low level of intra-African trade in agricultural products. The implications of these characteristics on subregional planning of the agriculture sector are briefly outlined below.

(i) The preponderence of subsistence production

35. In most of the African countries which belong to the different subregional cooperation arrangements, peasant subsistence production in agriculture accounts for a very large proportion of total agricultural output, sometimes to the tune of over 50 per cent of total value added in agriculture. The result of this is that a large part of agricultural activities is not easily amenable to centralized planning even at the national level. This problem is even more compounded at the subregional level where different communities of peasants would have to be taken into consideration when planning the overall agricultural sector involving many countries. On the one hand, the nature of output to be planned would become relatively difficult in large subregions involving countries with different resource endowment ecological characteristics and cultural differentiations. Also, due to lack of any standardised form of production, policies relating to technology, prices and incentive schemes become more complex at the subregional level.

(ii) Climatic dependence

36. The agricultural sector in many African countries and especially in the Sahelian zone is greatly dependent on the vagaries of nature. As such, the formulation of agricultural programmes and their successful implementation is made uncertain by the fact that weather conditions are unpredictable. The onslaught of the recent drought in many African countries is a clear example of this problem. It would therefore seem urgent for the effective planning of agricultural activities to ensure that nature is mastered in terms of its undesirable effects on agricultural production. If the future direction of the development of agricultural activities cannot be predictable with some degree of certainty it is impossible to envisage the utility of a long-term agricultural plan. To rectify this problem, it seems necessary for subregional structures to also address this issue through, inter alia, the elaboration of strategies that will reduce the dependence of agriculture on climatic variations. These can include water development for irrigation as well as the development of river basins.

(iii) The export orientation

37. Most African countries that produce agricultural export commodities have tended to "specialize" in a few commodities such as coffee, cotton, cocoa, groundnuts, etc. As a result, one often finds that the countries in the same subregion either produce entirely different export crops or they are in competition with each other for export markets. Efforts to rationalise such a situation at the subregional programme would, thus, be frustrated by contradiction between national interest (e.g. to increase exports of a particular commodity) and the overall regional interests.

(iv) The low level of intra-African trade in agricultural products

38. If any subregional efforts in agricultural development are to bear fruits, it is necessary that the particular subregion concerned has a certain minimum level of interlinkages among countries in the sector concerned. As it happens in most African countries, the agricultural sector has, among most other economic sector, the least interconnections accorss countries due to the polarisation of agricultural activities either within the national boundaries or towards the markets of the developed countries. This situation has two basic results. Firstly, the spectrum of activities that can be planned at a subregional level are greatly reduced as a result of the very low level of intra-African flow of agricultural commodities. Secondly, the effectiveness of mobilising the necessary resources to implement subregional programmes is also affected as individual countries may fail to see the direct benefits from such programmes.

(b) Constraints to subregional agricultural planning resulting from the nature of the subregional organisations

39. As noted earlier, the various subregional structures that were studied have all attempted to establish certain agricultural programmes for the common good of all the member countries. However, in this endeavour the organisations themselves

have confronted specific problems and have as a result not paid adequate attention to the establishment of harmonised regional plans at the sectoral level. Some of these problems include: (i) lack of explicit mandate for sectoral planning in the treaties; (ii) shortage of financial resources to implement any sectoral plan that might be formulated; (iii) lack of qualified personnel.

(i) The lack of an explicit mandate for sectoral planning

40. A survey of the various treaties establishing the different cooperation structures in Africa reveals that the aspect of regional planning in general and regional sectoral planning in particular are not given adequate improtance in the protocols. Generally, it is implicitly assumed that the secretariats of the cooperation organisations would make the initiative to address the question of planning for the subregion as a whole. However this approach is grossly inadequate since in most cases it implicitly maintains the status quo for each country to make its independent sectoral plans without any specific obligation to harmonise such plans with the subregional perspectives. Even the sectoral institutional structures that are set up to ensure the coordination of programmes are often limited to either examining specific project proposals or general policy questions without the capacity of analysing these in an integrated sectoral framework. It is clear that until the individual countries feel a real obligation to make their programmes within a well articulated subregional perspective, the secretariat and the sectoral commissions cannot effectively conceive and implement subregional plans. Perhaps it should be pointed out that the absence of planning commissions in the various subregional structures is a result of the general lack of an explicit statement regarding planning in the treaties.

(ii) Shortage of financial resources

41. For any plan to be viable it must be based on an assessment of the resources available to finance it. In the case of subregional organisations, the mobilisation of adequate resources on which to base a comprehensive plan often presents a lot of difficulties. Firstly, international financial organizations do not easily lend money to subregional programmes as they require guarantees from individual countries. Indeed, even in cases where financial resoruces can be mobilised, it usually requires the presentation of individual projects. This tends to encourage the approach, on the part of subregional structures, of merely shopping for viable regional projects on the basis of which resources can be sought. Secondly, the resources that the member countries of a given cooperation arrangement contribute are rarely based on the creation of a fund. Often, countries are requested to finance subregional programmes on a project by project approach. This also hinders the establishment of concrete sectoral plans at a subregional level.

(iii) The shortage of qualified personnel

42. In many instances, it was found that the subregional organisations studied lacked the staff that are needed to formulate a well articulated subregional plan at the sectoral level. The problem, however, is not that Africa lacks the people qualified in subregional planning. The problem would actually seem to be that the different subregional structures have not set up sectoral planning offices. As such, these organisations do not recruit the needed personnel to undertake the task. If sectoral planning units had been set up during the early stages of the different subregional organizations, it is likely that, by now, planning for the various subregions would have been consolidated.

D. Towards a new planning base at the subregional level: the case of agricultural planning

43. The state of subregional planning has been assessed to be generally poor in most of the subregional organizations studied. It is however clear that while there still exist some real constraints to full subregional planning, efforts must continue to be made to bring about a mroe rational development in the context of subregional cooperation. One of the prerequisites of such rationalisation is, no doubt, the establishment of effective planning machineries at the level of the subregion so that programmes and projects are situated and implemented in a coordinated manner to ensure maximum benefits to the countries and the subregion.

44. In the area of agriculture, it seems vitally important to identify those areas that are amenable to subregional coordination and planning. After these areas are identified, the subregions should draw up a plan setting viable objectives in the different areas and proposing ways to develop these areas at a subregional level. An analysis of the various programmes that have been initiated in the sample of subregional organisations studied shows that the areas in which subregional agricultural planning can be effectively undertaken include:

(i) food self-sufficiency
(ii) agricultural research
(iii) agricultural cooperatives and credit
(iv) agricultural policies of prices, incentive schemes, technology
(v) drought and desertification control, water and soil conservation
(vi) trade in agricultural commodities
(vii) forestry development
(viii) livestock and fisheries

45. But, it must be reiterated that the subregional organizations must be given adequate mandate to formulate plans that will be adopted and implemented by the participating countries. For this, it will be necessary to reinforce the different sectoral protocols with specific articles dealing with planning. The institutional framework will also have to be strengthened such that the different subregional organizations have a strong core of planners appropriately linked to the national planning structures.

III. INDUSTRIAL PLANNING IN AFRICAN SUBREGIONAL CO-OPERATION STRUCTURES

A. Introduction

46. African leaders recognize the fact that industrialization constitutes a basic option in the overall effort to lead Africa out of underdevelopment. The integrated economic and social development of the continent, as advocated in the Lagos Plan of Action, requires the establishment in every African country of industry which is designed in the interests of that country and will grow stronger within the context of complementarity of action at the subregional and regional levels. Such industrialization should contribute, inter alia, to:

(i) The satisfaction of the population's basic needs,

(ii) The exploitation of local natural resources,

(iii) Job creation,

(iv) The formation of a basis for the development of other economic sectors,

(v) The creation of a framework for assimilating and promoting technological progress,

(vi) The modernization of society.

47. It is also recognized that by harmonizing development activities and making optimum use of the limited resources of the various African countries, industrial co-operation is creating conditions conducive to the attainment of collective self-reliance at regional and subregional level while at the same time providing a framework for strengthening the efforts of each country.

48. Quantitative and qualitative objectives have also been defined in the LPA for industrial integration at the subregional and regional levels. According to the LPA, African countries should account for a minimum of 1.4 per cent of world industrial output by the year 1990. They should do everything in their power to achieve self-sufficiency in food, building materials, clothing and energy. The Industrial Development Decade for Africa proclaimed by the United Nations General Assembly is considered as yet another way of focusing greater attention on, and eliciting a greater political commitment and financial and technical assistance at national, subregional, regional and international levels for the industrialization of Africa. In response to it, preparations have begun in the various subregions of Africa for a Decade programme in which crucial needs have been identified both at national and subregional levels.

B. Specific industrial development objectives of the subregional co-operation structures

49. African subregional co-operation structures such as ECOWAS, CEAO, SADCC, PTA and UDEAC have adopted in the field of industry objectives identical to those of the Lagos Plan of Action and the Industrial Development Decade to Africa which they are striving to achieve in their respective geographical zones:

(a) ECOWAS

50. In order to achieve industrial development and harmonization among the member States, Chapters V and VI of the Treaty establishing ECOWAS provides for three stages of: (i) mutual exchange of the feasibility studies conducted, of reports on industrial projects and foreign business groups operating in the subregion, of information on industrial research, and of experts and experience acquired in the field of industry, conducted of joint studies to identify viable industrial projects for implementation, joint financing of research into technology transfer and the development of new products through the use of raw materials common to all or some of the member States; (ii) harmonization of industrial development promotion measures and development plans; (iii) exchange of personnel, training, preparation and implementation of joint projects as well as the taking of remedial action to correct disparities in levels of industrial development resulting from the implementation of the Treaty.

(b) CEAO

51. CEAO has developed a transitional programme for industrial co-operation based on the following concerns:

(i) The need and urgency of instituting a genuine industrial programme in order to bridge the development gap between member States and to enable intra-community trade to take place;

(ii) The need to harmonize activities in certain sectors while promoting complementarity among States, to plan for industrial linkages among existing plants or to promote specialization among them and to accord priority to the least industrialized of the States.

(c) UDEAC

52. UDEAC has defined a subregional industrial development strategy which aims essentially at:

(i) Promoting industrial development as well as specialization, diversification and expansion of production;

(ii) Ensuring optimum exploitation of natural resources;

(iii) Raising productivity and making effective use of the factors of production;

(iv) Benefitting from the advantages of economies of scale;

(v) Ensuring equitable distribution of the benefits and balanced development of the subregion.

53. In addition, three objectives have been set for industrial co-operation in the subregion: the harmonization of industrialization policies, the equitable distribution of community industrial projects among the countries and the co-ordination of sectoral industrial development programmes.

(d) SADCC

54. The objectives set for the subregional industrial development programme of SADCC focus on: (i) the identification of national production surpluses that could be traded in the subregion under existing or future trade agreements; (ii) the exchange of information on national industrial development plans and projects to help member countries avoid duplication of effort and to promote subregional trade; and (iii) to make an inventory of the potential and possibilities for the establishment of multinational industries.

55. And yet, faced with a host of constraints, these organizations have not yet been able to translate the general guidelines adopted into quantified objectives within the framework of general or sectoral medium- and long-term subregional plans. The fact is that there is no subregional sectoral planning in industry, any more than there is any genuine national economic planning in the subregions. The subregional co-operation structures, like the national planning agencies, have established, with the help inter alia of international organizations, industrial co-operation programmes made up of more or less properly formulated projects which they have not the means to implement. These structures are smothered by constraints as numerous as they are over-whelming within each of the countries and in the subregion at large.

C. Overview of the status of industrial development and the main constraints

1. The status of industrial development

56. In the subregions considered, the situation of the industrial sector is largely influenced by what is happening on the agricultural front because of the economic and social importance of agriculture. The existing industries are either light agro-based industries geared to national consumption or outward-looking extractive industries dominated by transnational corporations. The former are the result of the application by all African countries immediately after independence of import substitution strategies, without any co-ordination at the subregional level. Because they produce for limited local markets, many of them are operating below capacity. The latter group, whose contribution to export earnings is crucial, are handicapped by the unforeseeable changes on the world commodity market. On the whole, industry depends on imported capital, equipment, intermediate goods and raw materials. It counts for little in the economy. In 1980, for example, the share in GDP of manufacturing industries for 20 East and Southern African countries ranged from 2.6 to 10 per cent for 11 countries, from 10 to 20 per cent for seven countries and was higher than 20 per cent in only two countries. Out of 16 countries in West Africa, the share of industry in GDP for the same period fell below 10 per cent in two countries, and ranged from 10 to 20 per cent in five countries and from 20 to 32.5 per cent in eight countries. The gap between industrial development levels among the countries is sometimes enormous in the subregions considered, and the number of countries which have taken an important step towards industrialization is very limited.

2. The main constraints

(a) At the national level

57. Other constraints weigh on industry in the subregions:

(i) Lack of the raw materials indispensable for national industries;

(ii) No local manufacture of intermediate goods that come between the extractive industries and the manufacturing sector. For this reason, the bulk of the ores mined in these subregions is exported to the industrialized countries;

(iii) Persistent balance-of-payments deficits, with the result that the external debt increases significantly and monetary reserves diminish;

(iv) Lack of personnel that can follow through the stages of the project cycle, in particular planning, implementation and evaluation, negotiate the acquisition of technology and of the necessary funds, or organize the maintenance and after-sales-service of products;

(v) Lack of local financial resoruces, insufficient foreign loans, absence and/or inadequacy of national institutions to finance industrial development;

(vi) Lack of infrastructu es, particularly in the areas of energy and transport;

(vii) Insifficient access to technology and uncompetitive semi-finished and finished products on international markets;

(viii) Lack of national and subregional institutions capable of formulating appropriate policies, plans, programmes and projects;

(ix) Lack of workable measures to support the political will to pool resources and set up basic industries at national and subregional levels.

58. To these specific constraints are added the well-known problems relating to the countries' general level of economic development; low living standards with the concomitantly low level of consumption lack of domestic savings and high population pressure on available resources.

(b) At the subregional level

59. The establishment of a subregional industry raises, among other things, the problems of: (i) defining the framework, areas, phases and modalities of subregional co-operation; (ii) defining industrial development policies and strategies; (iii) determining priority industrial branches and criteria for the selection of subregional projects; (iv) selecting technology, location and the distribution of costs and benefits; (v) mobilizing financial resources and (vi) guaranteeing the loans contracted. These problems are all the more complex in that the inequalities in natural resource endowments, general economic and industrial development levels, diversity in political systems, currencies, external relations, population and political weight make for divergent and at times irreconcilable short-term interests.

D. Need for industrial planning and action taken to achieve it

1. Need for industrial planning

60. The numerous constraints at both national and subregional level show that it is unrealistic and adsolutely utopian to believe that speedy and sustained industrial development will take place in the subregions without sectoral planning. The need for industrial planning in the subregions arises also from the importance of the objectives set for this subsector in the LPA and the crucial structural changes that industrialization alone can bring about. Furthermore, the extensive economic and financial requirements for such industrialization and the need for inter-sectoral links should lead to the institution of extensive industrial planning, without which the elements of industrial development (such as equipment for the subregion, general education, technical training and others) cannot be integrated. Because the demand for industrial products and the capital and foreign exchange available depend on general economic growth, subregional industrial planning should be designed as part of the overall analysis of the economy and integrated into general subregional planning.

2. Action taken and results achieved

61. To implement industrial co-operation with a view to establishing subregional industries, several approaches can be used:

(i) A general approach involving a subregional industrial development programme with balanced priorities, and co-ordination of national plans adjusted to the subregional framework;

(ii) Sectoral or piecemeal approach involving a series of bilateral or multilateral projects within the framework of subregional objectives and criteria (specialization agreements, technological agreements, joint operations or contractual co-operation, etc.);

(iii) Harmonization of policies for the co-ordinated establishment of conditions, regulations and incentives likely to induce action in the required direction.

62. Each of these approaches can be considered as a more or less crucial phase in the sectoral planning of industrial development.

63. The various structures for subregional co-operation in west, central, eastern and southern Africa have, very imperfectly, applied one or other of these approaches. Examples are given in the following paragraphs:

(a) ECOWAS

64. In implementation of its Treaty provisions, ECOWAS set out first of all to define a framework for industrial development and co-operation for the establishment of subregional projects. Accordingly, in terms of industrial co-operation policy ECOWAS decided to accord priority to industries capable of contributing to the modernization and development, within an integrated framework, of the following sectors: (i) agriculture, (ii) transport and communications infrastructure; (iii) natural resources, and (iv) energy, The scheme aims at establishing a subregional industrial base by promoting intermediate goods and capital goods industries through specialization on the part of States or groups of States.

65. The efforts made by ECOWAS have led to the definition of a subregional industrial development strategy, the definition of project selection criteria likely to contribute to the achievement of the objectives of the strategy adopted, and the preparation of an initial integrated industrial promotion programme comprising 35 core projects and 17 supporting projects. Among the strategic projects can be counted:

(i) In the metals industry: projects for the installation of electric furnaces in Ghana, Côte d'Ivoire, Mali, Senegal, Togo and Burkina Faso; the installation of rerolling mills in Benin, Ghana, Côte d'Ivoire, Mali Senegal, Niger, Togo and Burkina Faso; the manufacture of four-wheel tractor parts in Senegal and Nigeria; the manufacture of railway wagons in Senegal and Burkina Faso, the manufacture of standard low-cost multi-purpose vehicles in Guinea and Côte d'Ivoire and the manufacture of aluminium cables and conductors in Guinea and Ghana,

(ii) In the chemical industry: projects for the establishment of a subregional ammonia plant using natural gas and water electrolysis in Togo and of a pharmaceutical products factory in Nigeria,

(iii) In agro-industry: integrated poultry production complex in Liberia,

(iv) Multinational support projects for assistance to an industrial training programme, assistance in the development and strengthening of management and consultancy service capabilities in industry, the institution of an industrial and technological trade fair in the subregion.

66. These are national projects requiring multilateral co-operation or subregional projects submitted by States in the subregion to UNIDO and ECA within the context of the Industrial Development Decade. However, these projects are still at the initial stage of preparation. Their real importance is not yet known since their costs have in most cases not been evaluated. What is more, they are not set against a background of global or sectoral economic projections at subregional level. At the same time, stress is being placed on the intensification of trade, the harmonization of customs regulations and the free movement of people.

67. Existing facilities for the promotion and planning of industrial development in the ECOWAS subregion: Neither ECOWAS itself nor the countries in fact possess the financial resources required for carrying out these projects. ECOWAS has nothing more than its operating budget (5.9 million SDRs in 1985) derived from member State contributions which do not arrive on time and the fund for co-operation, compensation and development, a subregional banking institution over which the ECOWAS secretariat has no jurisdiction. The share of the budget devoted to sectoral studies is currently insignificant. As to the fund for co-operation, compensation and development of ECOWAS, it is not currently engaged in any subregional industrial project. Neither has ECOWAS any planning or programming institutions. Under the circumstances, the industrial development programme adopted risks remaining a dead letter, and the future of industrial planning being a dead end, for lack of financial and political support.

68. The ECOWAS approach provides for harmonization of national development plans in a second phase that has yet to start. It has the advantage of being flexible and the disadvantage of initially favouring the more industrialized States of the subregion without any matching benefits, for the time being, for the less industrialized States. The situation is fraught with serious risks of stalemate to the extent that the less industrialized countries are in the majority and are all aspiring to speedy industrial development.

(b) CEAO

69. CEAO has conducted a survey in its member States of projects and add-on activities which relate to small- and medium-scale enterprises and can constitute an interim co-operation programme. The projects and activities agreed on in the member States derive from national development plans. There are about 50 such projects broken down as follows among the member States: Burkina Faso (five), Côte d'Ivoire (seven), Mali (11), Mauritania (five), Niger (16), Senegal (six). They include feasibility studies, industrial investment and technical assistance projects in such priority sectors as: agro-industries and infant food factory (Côte d'Ivoire), cattle feed production (Burkina Faso), sugar complex (Mali), dairy farm (Mauritania), construction materials and mining: cement works construction (Mali), sanitary ceramics factory (Côte d'Ivoire), nitrogenous fertilizer production (Mali), salt refinery (Côte d'Ivoire), mini-steelworks (Mali), technical training in industry (chemical, steelworks and energy): training of small- and medium- scale enterprise personnel (Côte d'Ivoire). The selection criteria used were the nature of the project, the mode of financing requested by the States and the financing capacity of the community development fund.

70. All these projects fall far short of helping member States of CEAO to overcome the economic constraints weighing on industrialization in the subregion. The national plans from which the selected projects derive were not subjected to prior basic studies with a view to co-ordination and harmonization of the priority sectors at subregional level. The programme contains projects in areas where local capabilities in industrial production are under-utilized or where local industries over-produce while in other areas, substantial needs go unsatisfied at the subregional level (infant food, cattle feed, fertilizer production, building materials and others). The scope of the projects is limited and falls well short of the needs in question. In the matter of exploiting natural resources for which a substantial potential exists (phosphates, iron and limestone for example) the programme contains no projects that can match the needs of the subregion.

71 Facilities within CEAO for promoting and planning industrial development: The organization has a fund for community development and a solidarity fund that assists in community development. The former, which amounted to CFAF 10.5 million in 1985, derives from customs duties. Its resources are channelled to the development of the relatively less-developed member States. To date, the resources of the fund have been used to finance small national projects that were not co-ordinated or planned subregionally. The latter is a sub-regional banking institution set up to guarantee loans contracted by the States to finance their development programmes. It also contributes to the funding of subregional projects such as the subregional centre for solar energy (CRES) the subregional wagon factory, the African centre for management studies (CESAG), the subregional school of mining and geology, the graduate school of the etextile industries and the graduate institute of fisheries, science and technology. While these projects are supposed to help set up a subregional industry, they are not integrated into a planned subregional economic frame-work. The training projects which constitute the majority do not produce staff specifically meant for existing or proposed subregional industries, and moreover, there are already unemployed or under-employed national staff in the same disciplines within the countries. Here, the lack of planning and subregional co-ordination in industry leads to the waste and irrational use of financial resources.

(c) UDEAC

72. Industrial co-operation in the UDEAC subregion has gone through three phases. During the first phase, co-operation was based on the application of two major criteria, mainly the availability of natural resources and the existence of a subregional market. However, this first attempt at creating community industry was not successful.

73. The second phase of industrial co-operation covered the period 1974 to 1984 and followed the second revision of the UDEAC Treaty. Emphasis was then laid on a new industrialization strategy and policy based on the economic

complementarity of the member States. The objective was to achieve a balanced development of the subregion, particularly as between coastal States and land-locked countries. Six projects were accordingly selected and judiciously distributed among the countries as follows: a bauxite-aluminium plant in Cameroon, a chemical complex in Congo, a petrochemical complex in Gabon, and a pharmaceuticals plant and a watch-making factory in the Central African Republic. This new policy failed because none of these projects ever materialized.

74. In these two phases, the subregional projects could not be implemented either because of lack of political support by the Governments (some States withdrew their participation just as the projects were becoming operational) or because of the investment burden and the prevailing unfavourable international climate. But political considerations were the main cause of the failures recorded from 1974 to 1984 by UDEAC, which has now decided to accord priority to industrial projects which will promote the development of agriculture. Thus, the original concept of industrialization was discarded as being too unrealistic. The only project under way is a study on the establishment of subregional phosphate fertilizer industry. UDEAC is also considering the establishment of a subregional bank whose objectives will include the promotion of industrial development.

(d) PTA

75. The Preferential Trade Area which came into being more recently than CEAO, ECOWAS and UDEAC is attempting to conduct two subregional industrial projects which have reached the feasibility study stage: they relate to subregional industries for the production of fertilizer, iron and steel. It is too early to pass any judgement on this latest experiment which, like those described above, is not backed by any planning framework.

E. Conclusion on sectoral planning in the field of industry

76. The subregional co-operation institutions in Africa have not made any decisive progress in the sectoral planning of industry. The constraints on industrial development are well known, the objectives have been set, and the strategies defined and the programmes established in order to attain them. But the programmes drawn up generally take the form of a collection of projects which are not integrated within an economic planning framework. At the subregional level, there are no specific institutional support facilities to promote the sectoral planning of industry, and the subregional finance institutions are not geared to the requirements of the sectoral planning of industrial development. Owing to the lack of co-ordination and harmonization of national development plans, the meagre resources of these institutions are wasted on subregional projects which overlap with national projects, or are used outside the established subregional programmes. The subregional co-operation institutions often have no say in what these finance institutions do. Added to the lack of financial and institutional

resources is the absence of real political support, with the result that certain established programmes have never been able to take off. Yet, without political will backed by operational measures, it is obvious that no real progress can be made in the application of subregional sectoral planning as an instrument for organizing and strengthening co-operation in the field of industry.

IV. GENERAL CONCLUSION OF THE STUDY

77. Some progress has been made in respect of co-operation during the last decade, but this progress has been very slow and has to date not led to true subregional development. The goals of co-operation enunciated at the outset have essentially been directed towards the promotion and intensification of subregional trade to the detriment of development efforts. Planning, as an instrument of co-ordination and harmonization, has not received any special attention. It is noteworthy that the term «planning» did not appear in any of the statutes establishing these subregional organizations, as the founder member preferred to speak of «co-operation», a less precise and less binding term. Consequently, planning departments were not created from the beginning, and even today no such structure appears in the organizations' organizational charts. In fact, it was only recently that the need for subregional planning was felt due to the persistence of the development crisis, the solution of which requires concerted efforts and innovative approach to the problems. Neverthless, the political considerations relating to the establishment of a planning structure at the community level remain a definite obstacle. Nor is the existence of different national plans with differing durations and objectives a factor conducive to the formulation of a subregional plan.

78. The majority of these organizations have attempted to execute projects in different sectors of economic activity between which no co-ordination exists. Another problem relates to the large number and the diversity of organizations dealing with the same type of activities in the same subregion without co-ordinating their programmes. This is the situation for example in West Africa, where there are more than 30 organizations, and also in East and Southern Africa.

79. Finally, there is the particularly acute problem of financing subregional programmes. These organizations' own resources are inadequate and are not used effectively for the implementation of subregional development projects. As for the subregional banks and external sources of financing, their contributions are limited and have not always been attuned to the needs of the subregions.

V. RECOMMENDATIONS

A. General recommendations

80. The subregional co-operation organizations should as a matter of urgency strengthen their institutional structures by creating within their establishments statistical and planning departments equipped to produce general and sectoral plans at the subregional level. If necessary, their treaties should be revised to permit this.

81. International organizations and bilateral and multilateral aid institutions should increase their assistance in order to facilitate the establishment and the efficient operation of these statistical and planning departments at the subregional level. OAU and ECA, through the MULPOCs, should promote the creation and smooth running of these departments, pending the establishment of subregional planning institutions, the MULPOCs should assume responsibility for the co-ordination of national plans and the formulation of subregional plans. Their resources should be increased accordingly.

82. The following should be included among the principal tasks to be entrusted to the subregional planning organizations:

(a) Co-ordination of national development plans and programmes of the different intergovernmental organizations in the same subregion;

(b) Preparation of a general plan together with sectoral plans.

83. Within each subregion, existing departments responsible for the development of agriculture and industry need to be strengthened, notably by enhancing their project identification, formulation and evaluation capacity. Where such departments do not exist they should be established without delay.

84. The subregional finance institutions created by co-operation organizations need to be strengthened by increasing their financial resources through substantial contributions by the member countries and negotiating for external loans. However, these institutions should give the highest priority to the financing of subregional development plans.

85. The objective of increasing and ensuring a mroe rational use of financial resources may be attained in the case of West Africa by regrouping the existing intergovernmental organizations coupled with greater centralization of resources under ECOWAS or CEAO.

86. The monitoring, supervision and evaluation of subregional activities are of capital importance; for the satisfactory performance of these assignments, the subregional co-operation organizations require the effective support of their member States.

B. Recommendations on agricultural planning

87. Subregional planning should be based on clearly defined agricultural strategies and policies, and should set food self-sufficiency and security as their objective. The harmonization of pricing policies, the establishment of an appropriate agricultural credit system as well as an increase in the real income of the rural population should be treated as key elements in the strategies and policies to be applied in the context of this planning.

88. The attainment of the objective of food self-sufficiency and security necessitates urgent planning measures in the following priority areas:

(i) Agricultural production: In the short- and medium-term, this essentially entails creating conditions conducive to the formulation of a subregional agricultural plan (agrarian and land tenure reform for instance);

(ii) Production of agricultural equipment, materials and inputs in line with the production objectives: The planning of producer's goods for agriculture should be carried out at the bilateral or multilateral level whenever favourable conditions are met (market, availability of raw materials);

(iii) Water resources development: This should focus especially on the joint exploitation of water resources in order to ensure the security of agricultural production through irrigation;

(iv) Distribution of production equipment and agricultural inputs within a given subregion: Food crop distribution in particular should be based on the building-up of subregional stocks and the necessary development of transport infrastructures; and

(v) Agronomic research and the training of farmers and senior agricultural staff.

C. Recommendations on industrial planning

89. In the field of industry, subregional planning should be based on the objectives of the United Nations Industrial Development Decade which is aimed at raising and improving the contribution of the industrial sector to the general economic development of the subregions.

90. Since the relevant programmes have been prepared and the projects selected on the basic of subregional criteria, emphasis should henceforth be placed on:

(i) Programming and planning of those projects whose economic and social impact at the national and subretional level needs to be evaluated beforehand; and

(ii) Effective commitment to and support of all countries for the programmes formulated.

91. One of the most significant aspects of the programming and planning of the subregional projects selected within the framework of the Decade is the harmonization and co-ordination of national industrial development plans. The subregional co-operation institutions should tackle this problem with all the attention it deserves and seek all necessary assistance in order to do so.

92. There is need for firmer political commitment on the part of States and a greater degree of effective solidarity at the subregional level to enhance the harmonization and co-ordination of the national industrial development plans.

93. This harmonization should first and foremost be geared to the reinforcement and rehabilitation of existing industrial units, through more intensive integration and forging specific industrial linkages at the subregional level. The expansion of markets, the supply of raw materials, the production of spare parts and the exchange of skilled personnel constitute the most important problems to be settled in this respect.

94. The installation of new industrial projects should receive particular attention so as to avoid duplication which would result in under-utilization of industrial capacity and meaningless competition.

95. These measures will require a readjustment of national industrial development plans and their adaptation to subregional needs.

96. In addition, the finance institutions within the subregional co-operation structures and the other national and international finance institutions need to be closely associated in the process of industrial development planning. This will forestall the financing of non-viable national projects which may subsequently become a burden on the national economy and an obstacle to subregional economic integration.

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AFRICAN TRANSNATIONAL ENTERPRISES (ATNEs), COLLECTIVE PLANNING AND ECONOMIC COOPERATION

AFRICAN TRANSNATIONAL ENTERPRISES (A.T.N.E.s.), COLLECTIVE PLANNING AND ECONOMIC COOPERATION

This paper is about approaches to establishing African Transnational Enterprises: public, private or mixed. However, given the African countries' stage of development, social, political and economic organisation, a major portion of the initiative towards establishing such enterprises falls on African governments, whether individually or collectively, directly or indirectly. Governments not only have the power to initiate public bus enterprises, but can also foster greatly both public and private enterprises through its regulatory and policy setting powers.

In this paper the scope, framework and launching pad suggested for the A.T.N.E. is the African Economic Community prescribed by the Lagos Plan of Action. It is argued here that the Community should firstly be immediately established since it is highly unlikely that it would materialize as a culmination of the evolution of present sub-regional economic cooperation groupings; secondly, it should take a new course based on the launching of autonomous A.T.N.E.S. with emphasis on production. This is in sharp contrast with the present arrangements based on intergovernmental bodies, and trade liberalization. It is argued that this latter approach can only complement the former.

To achieve the goals of the paper, the approach, combines an analysis of economic development in Africa with an assessment of regional cooperation and industrial organization. It pinpoints the potential pivotal role of A.T.N.E.s in future cooperation and development in Africa.

The paper is divided into two parts. Part I highlights the pattern of growth - macro and structural - of the African Economy since the early 1970's. It points out that growth has been decelerating and internal and external imbalances rising to an unsustainable level. A substantial reorientation is becoming more imperative than ever. In this regard it is suggested that there is a need for enhancing the role and contribution of domestic markets to overall economic growth. But given the structure of the African economies, their small size, factor endowments, complementarity, etc., sub-regional and regional cooperation becomes a basic component for achieving the above goal.

Part II provides a discussion of the highlights of the present sub-regional arrangements, and potential projects. It concludes by pointing out their inherent inadequacy taken by themselves, and suggests the need for a reorientation and a new complementary approach based on joint enterprises and cooperation in production via the establishment of A.T.N.E.s.

This is followed up by a discussion of the prescribed A.T.N.E.s.. It also assesses potential sources of financing them and their management systems.

I - MACRO BALANCES AND STRUCTURAL CHANGE

Proper analysis of economic development in Africa requires a comprehensive view. The continent - a young one comprising many states who acquired political independence only recently. Therefore, it is not only the production sector which is undergoing change but so are the social, political and governmental systems with major consequences for both the socio-economic organization of production and - accordingly - of economic policies. Given the fact that many African countries gained their independence in the 1960s and that the development of their superstructures was arrested and often lagged behind production and physical infrastructures, of the primary sector, the post 1960s have been characterized by a rapid pace of socio-political changes. This naturally affects the economy and explains occasional inadequacies in policies and economic performance in general.

Statistical evidences regarding past growth show that since the early 1970s the rate of growth of real output has been steadily declining. Compared with a base line rate of growth of over 5.0% per annum during the period 1960-73, growth declined to an average of 3.0% in 1973-79, and with the turn of the 1980s it declined one more to less than 1%. This is in contrast with a steadily rising population growth reaching a rate of over 3% since the turn of the eighties.

The declining rate of output growth was also accompanied by worsening external and internal imbalances. During the period 1970-82, the balance of trade shifted from a surplus of $1.0bn in 1970 to a deficit of $15 bn in 1982. The internal imbalance increased pari passu with the external one through declining savings. The share of national savings in GDP dropped from over 13% in the early 1970s to less than 7% in recent years.

The external and internal deficits were financed through varying combinations of external borrowing and deficit financing. Accordingly, the long-term external public debt alone increased from less than $10.0 bn in 1973 to $127 bn. in 1982, and $118 bn. in 1983. The debt service reached a level of $17 bn in the same years.

With regard to structural changes, there has been no significant changes towards diversification of production and trade. Primary production continues to dominate, accounting for circa 50% of GDP while the share of manufacturing is less than 10%. The structure of exports reflects that of production with primary exports constituting more than two-thirds of total exports and exports of manufactured goods accounting for less than 10%.

No less important is the pattern of spatial growth. One of the major problems of the African countries is the skewed spatial pattern of production and population allocation in relation to other resources. Population concentration has, in particular, led to intensive agricultural land cultivation, soil erosion and a decline in agricultural land productivity in the presently cropped areas, while new cultivable lands lay fallow. This along with unfavorable climatic factors underly the witnessed trend towards decline in production and dependency on food imports. Developments in the last fifteen years have not, in any substantive way, contributed to a better spatial allocation of resources and utilization of resource capacity.

The macro underpinnings of the above-described patterns of growth and structural change could, in historical retrospect, be briefly described as follows. The oil price rise beginning in 1973 coincided with rising international food prices and an inflationary trend. This led to an unprecedented rise in import prices of African countries and declining terms of external trade in general. The income effect of the worsening external terms of trade was prevented from running its full course thus leading to internal price rises, declining income and consumption levels, and rising production costs and prices. In certain cases, it would have reduced the standard of living and consumption by one-half which was felt to be politically not desirable. Governments absorbed the external shock through a massive programme of subsidization. This naturally led to a multiplication of budget deficits on current account and a decline in aggregate savings.

The case of African oil-exporting countries - mostly in North Africa with only Nigeria and Gabon in sub-saharan Africa - was different. The rise in import prices was more than compensated for by the rise in oil export prices and earnings. However, while the oil sector's surplus allowed for accelerated capital formation, it likewise led to rising wages in the face of declining labor productivity, consumerism, rising imports and a host of production bottlenecks. It was not long before their external balances started, once again, to show deficits.

As for the majority of African oil-importing countries, as well as other external resources were available to finance the emerging and internal imbalances. The petro-dollar surpluses of the oil-exporting countries were recycled through the international financial system - including commercial banks - towards financing the external deficits of the LDCs including the African ones. This was supplemented by increased external official development assistance and, to a lesser extent, foreign direct investment. The outcome is a surging external indebtedness with an accumulated long-term debt amounting to circa 50% of the continent's aggregate GNP.

The above-described developments culminated in the emergence of a New African Economic Order and set of policies which are unsustainable. Namely, production, trade, income distribution and consumption structures as well as a set of underlying policies emerged and are based on massive external resource inflows. A widened gap between productivity, wages and income on the one hand, and between consumption, investment and domestic resources on the other, made the newly emerging economic order unsustainable. This is particularly so in the light of the present world economic contraction and underlying policies.

The crisis in the international economy, has led to declining financial resource allocations to LDCs, including African ones. The recession in OECD countries as well as a trend towards policy retrenchment reduced official development aid (at least in real terms). The drying up of oil surpluses accentuated by the recent decline in oil prices has also led to a parallel drying up of OPEC aid. Lastly, the economic crisis in Africa and the future uncertainties clouding the African economies, resulted in absolute declines in foreign direct investment.

Reversing the above negative trends, which are by no means sustainable as mentioned earlier, would require a complete reorientation of the African economy at both aggregate and structural levels. To achieve such goals, major efforts to mobilize both internal and external resources, and to rationalize economic policies in keeping with objectives became inevitable.

With regard to augmenting external resource inflows, the international environment does not seem to be favorable. The end of the recession in OECD countries, particularly Europe, is nowhere in sight. Furthermore, the policy objectives of these countries seem to be moving away from reflationary policies for fear of their inflationary consequences aiming instead at a moderate growth.

It is therefore warranted to conclude that the brunt of adjustment to the new internal and external conditions besetting the African countries will have to fall on internal policy adjustments rather than on augmented external resource inflows. This is the case - at least for the short and medium runs. This may incidentally be for the better given the continent's proclaimed commitment to greater self-reliance as called for in the Lagos Plan of Action and other African pronouncements.

II. AFRICAN TRANSNATIONAL ENTERPRISES AND ECONOMIC COOPERATION

A. Regional Economic Cooperation and the Lagos Plan of Action

The Lagos Plan of Action spelled out certain growth targets for the Continental African economy. These are:-

Sectors	Annual Rates of Growth % (at constant prices)
Agriculture	4.0
Manufacturing	9.5
Exports	7.0
Imports	8.2
Total GDP	7.2

It also emphasized two underlying policy principles and orientations, namely national and collective self-reliance and regional cooperation. The latter - i.e., cooperation - is an instrument of the former, and both are prerequisites for the achievement of the stated growth targets.

The Plan also identified certain selected guiding principles for the achievement of its targets and policy orientations. It envisaged a flexible process whereby African countries would, individually and collectively, gradually operate through an iterative process towards achieving the Plan's goals. With regard to regional cooperation, it prescribed the establishment of a continental "African Economic Community" by the year 2000.

The analysis in Part I showed that the growth performance of the African economy since 1980 moved in the opposite direction of what the Lagos Plan called for. It also indicated that resuming an accelerating growth requires substantial adjustments and restructuring.

Major obstacles stand in the way of the requisite adjustment prominent amongst which is the small size of most African countries markets and lack of complementary resources. The majority of African countries have populations of less than 5 million - with many under 1 million, also many are included amongst the world's Least Developed Countries with an income per capita of less than $300. Furthermore, their primary exports, their major source of foreign exchange, are declining in both quantum and price.

Given this situation, the hope for any significant acceleration of growth and adjustment rests on achievements in the area of regional cooperation. There is a general recognition that past performance with regard to intra-African economic cooperation at the sub-regional and regional levels has not been satisfactory. This naturally raises the question as to why this is so? Could the poor past performance be reversed? If so, through what means?

An earlier study[1/], provided a preliminary assessment of the present network of regional and sub-regional cooperation arrangement in Africa: its objectives, structures, processes and operationality. The study pointed out to certain flows in the underlying philosophy, machineries and policies of these arrangements which made them inadequate. The study suggested a supplementary approach based on the establishment of African transnational enterprises.

1/ See Essam Montasser, Establishment of an African Economic Community, Dakar, UN/African Institute for Economic Development and Planning (IDEP), 1984.

With regard to the genesis and philosophy of the present regional arrangements, the following is to be noted:-

(1) Their basic infrastructures hard and soft are geared more to linking member countries to their European metropoles rather than to each other. Major reorientations are required if they are to satisfy their present redefined objectives.

(2) The dominant present approach to regional cooperation is based on trade liberalization. While almost all agreements of present sub-regional groupings include articles related to joint planning, programming and projects, they have rarely been implemented. The underlying theory of the trade liberalization approach is that through intra-regional elimination of tariffs and the resulting market widening, greater incentives to trade and investment would be provided.

Needless to say, the theory assumes a neoclassical perfectly competitive system and is based on its underlying assumptions which on the whole do not hold in Africa. The more pertinent theory in the case of Africa is that of development with its emphasis on dynamic structural changes in both production and trade. Customs unions, common markets and other models of trade liberalization cannot bear any fruit in the African context without: (a) substantial growth and diversification of production to create exportable surplus; and (b) harmonization of the heterogeneous exchange, monetary, fiscal and other policies regulations. That is not to mention the need for stable and harmonious political relations. Lack of such basic prerequisites make changes in tariffs and their impact on relative prices and profits and accordingly on investment decisions a very long term endeavour.

Most African markets are small in size and embryonic. They are heavily protected, and their organization is monopolistic. This is a natural outcome of their small size and high external tariff walls. Furthermore, their institutional structures are incomplete and their macro-policies are dominated by their relations with the more industrialized countries. There is no exportable surplus worth mentioning at present and production is either for subsistance or for the international markets. Physical infrastructures linking African countries together are still rudimentary and so are the institutional and policy networks.

Under such circumstances what can intra-regional tariff reduction achieve in the short and medium runs. One can also add that trade flows and financial flows go hand in hand. Most African countries are not capital exporters, and have no financial surpluses or institutional networks to finance intra-regional trade on a substantial scale. Lastly, market prices are often distorted, unstable and their processes of change are not well defined. Depending on marginal changes in relative prices to change investment patterns and scope towards regional integration is to say the least a heroic assumption at present.

(3) Lastly, with regard to the various groupings' objectives (ends), instruments (means) and machineries (organisations), also suffer from major inadequacies. Objectives are ambitious relative to means, and are stated in vague general terms which make them elusive as regards implementation. The secretariats of the various groupings are neither endowed with capacity nor resources for the requisite programming or implementation of the stated objectives. They are also of an inter-governmental type with all that this entails including being influenced by political considerations of a short-run nature.

In the light of the above, it has therefore been suggested in the "African Economic Community" study that: (a) the Community should be set up immediately since it will not materialize as a result of the evolution of the present sub-regional arrangements, (b) the community could itself play a role in reorienting the present sub-regional groupings and in coordinating them; (c) the community would have to follow a more appropriate operational design and approach based mainly on projects, enterprises (Joint Ventures) and cooperation in production in general. This would then create the base for fruitful and functioning trade liberalization.

B. The African Economic Community and African Transnational Enterprises

The prescribed approach and design of the new African Economic Community is based fundamentally on its serving as a base and launching pad for a new type of enterprises, namely African Transnational Enterprises. These enterprises would be complementary with one another and would create the foundation for a third sector in the African economies: an intra-African regional or sub-regional one. Both the Community and its satellite projects would have to be endowed with a certain degree of autonomy and operationality.

Given this overall orientation, the suggested model of the Community and its enterprises is based on the following interrelated building blocs.

(1) With regard to the organizational hierarchy of the Community, it is envisaged that it would be under the auspices of the OAU and would, in fact, constitute its economic arm. The Community's organs would consist, aside from its President, of a Board of Directors and a Board of Auditors. The President and both the Boards of Directors and Auditors would be appointed by the OAU Summit. However, the appointees would be selected from amongst prominent Africans and in their personal capacity, i.e., not as government representatives. They would also report to the OAU Conference of Ministers and to the OAU Summit.

(2) Functionally, the Community consists of two bodies: a policy and project planning unit and an operations unit. The former would be staffed by a small but highly qualified set of planners. Its task would be mainly to identify multilateral joint-ventures related to all sectors of the African economy and prepare preinvestment studies for them. It would also prepare background country and sectoral studies and make suggestions as to policy means of coordinating and strengthening regional and sub-regional cooperation.

As for the operations unit, it would consist of an investment-holding fund. Its major goals would be the creation and launching of A.T.N.E.s. It would be empowered to incorporate and promote such affiliated or associated enterprises. The capital of these enterprises would be subscribed to by African states, para-statal institutions and companies (public or private) as well as individuals with the operation unit (fund) constituting their holding companies. External entities, including international multinationals, would be allowed to acquire capital shares as long as their shares do not exceed 49%.

The capitals of the holding companies themselves would be subscribed to by the African states - at least those who would be willing to do so. The subscribing countries would receive income on their capital investments. At the same time, the operational cost and current budget of the Community would be financed from its operations unit earnings and would not be dependent on annual member countries' budgetary contributions as is the case with the present regional and sub-regional groupings.

(3) The affiliated enterprises' profits would be allocated as follows:- A certain percentage would be allocated to capital owners as dividends. The rest would be retained by the holding companies for reinvestment. This feature constitutes a built-in mechanism for capital accumulation and growth in the Community. Its pattern of growth and investment would aim at creating the foundations of the sought after intra-African regional sectors in both production and infrastructural sectors including trade.

(4) The above outlined model for the African Economic Community represents a holistic and programmed approach to the creation of A.T.N.E.s in a consistent complementary fashion. It is this aspect which distinguishes it from individual joint-ventures emerging here or there without any particular links or interrelations. This certainly facilitates the task of regional and sub-regional cooperation, and accelerates its pace significantly.

(5) If this could not be achieved an alternative second-best approach to regional cooperation and the initiation of A.T.N.E.s would be to reverse the above suggested order. The process could start by creating A.T.N.E.s on a bilateral or multilateral sub-regional bases. In fact, the present sub-regional and regional groupings could serve as a bases for the sub regional transnationals. But for these groupings to undertake such a task, it would require a reorientation of their approaches and a restructuring and strengthening of their organizations. In this case, one could foresee a process whereby these sub-regional transnationals or joint ventures gradually coordinating with one another and thus converging. In due time, the basis for an African Economic Community could materialize.

Naturally, this second best approach is going to be slower. Furthermore, given its evolutionary partial approach it would be less equitable and sectorially balanced than the former, in terms of both spatial and sectoral allocations.

(6) The analysis here makes the distinction between multinational enterprises with which we are mainly concerned here, and national enterprises which are transformed into transnationals via the creation of external affiliates in the form of Joint Ventures following the pattern of a "product life-cycle" type. The multinationals referred to here are created as multinationals from the outset.

(7) There are great benefits to be reaped from a mutually beneficial relationship between the A.T.N.E.S and the international multinationals. This is particularly so in areas such as finance, technology (soft and hard), trade, etc.. In fact, it is difficult to conceive of the A.T.N.E.S' achieving the hoped for progress without reaching a minimum modusvivendi with the prevailing transnationals who possess the requisite technologies and finance.

In the past (and, in certain cases, until now), the balance sheet of the multinationals has been quite negative. This is testified for by many evidences and has been elaborated on and built in a number of development theories. However, the balance of power has now changed to a large extent. It is in the hands of many African countries, institutions and enterprises to utilize their relationship with the transnationals to their advantage. Slower growth in the industrialized countries, the great development potentials of the LDCs, whether in the form of resources or markets, coupled with their rising weight and power on global scale, constitute a new situation at great variance with the previous one. The multinationals have a vested interest in such cooperation.

The multinationals could also be a major source of finance. They would be interested, other things being equal, to contribute to financing A.T.N.E.S not only for the potential direct returns of such investments but also for indirect returns in the form of the exporting of goods and services, securing sources of raw materials, participating in construction works, etc..

(8) As for the management system and guiding principles of the A.T.N.E.s, one can point out the following:-

- The enterprises would operate in accordance with economic rules;
- Majority ownership of capital should, in principle, be for African countries, institutions and nationals. This is essential if they are to perform their role as a tool of collective self-reliance and the creation of autonomous regional and sub-regional economies.
- The new enterprises would concentrate, at least initially, on the development of primary sectors, particularly food and agriculture;
- Major portions of the enterprises' income would be channelled towards reinvestment.

CONCLUSION

To conclude, A.T.N.E.s constitute a superior approach to combining development with cooperation in accordance with the Lagos Plan prescriptions. It avoids all the obstacles standing in the way of these two interrelated objectives whether of political or economic nature such as distribution of gains from trade, differing levels of development, size, lack of essential complementary resources, scarcity of finance and managerial capacity, etc.. It also serves as a mechanism for technology transfer and the mobilization of financial resources.

However, a successful growth of A.T.N.E.s requires internal and external policy changes. Internally, we have emphasized earlier the need for proper adjustment policies and stability. Externally, there has to be a greater commitment to assisting and promoting this approach. Such assistance could take the form of allocating a greater portion of official development aid to financing such enterprises.

It is strongly felt that the above outlined model for an African Economic Community could usher in a new pattern of development and cooperation. It could also constitute a major step towards collective self-reliance at home and inter-dependence in the international arena.

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SUBREGIONAL DEVELOPMENT PROSPECTS: THE CILSS COUNTRIES

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I. Introduction

1. In 1983 the ECA secretariat prepared a perspective study on the development of the African continent entitled ECA and Africa's Development 1983 - 2008: a preliminary perspective study which presented a long-term view of the economic and social development of Africa by the year 2008. The study, which covered the whole region, uses the various perspectives to highlight the crucial problems the continent will encounter by the year 2008.

2. Referring to the document and taking note with interest of the projections carried out, the ECA conference of Ministers adopted resolution 501 (XIX) at its 19th session which recommended that perspective studies should be carried out at the national, subregional and regional levels. Such studies would, in particular, permit a better evaluation of measures to be taken to ensure the implementation of the Lagos Plan of Action.

3. Noting the deterioration in the economic situation of African countries, the Conference felt that perspective studies could, by putting forward several scenarios, permit States to identify the most appropriate ways and means of developing their priority sectors and coping with the structural weaknesses of their economies. Thus, the studies could be a very useful planning instrument in the future and contribute to decision-making among African leaders at the national, subregional and regional levels.

4. The study that the secretariat is submitting at this Conference is the outcome of collaboration between the Sahel Institute, an agency of the Permanent Inter-State Committee on Drought control in the Sahel (CILSS) and ECA. The study first analysed the economic and social development of the CILSS countries from 1973 to 1983 and established their achievements for that decade. The analysis revealed the main problems which hampered the region's development. The balance sheet of achievements was used to make projections especially for the historical trends scenario.

5. Two scenarios are proposed in the perspective chapter which covers the years 1983 to 1998: a scenario based on trends observed since 1973 and a normative scenario aimed at developing the economy and its priority sectors, especially agriculture, in order to achieve food self-sufficiency by the end of the century.

6. The study focusses particularly on three sectors of the economy namely, agriculture, transport and energy. The importance accorded to the three sectors stems from the fundamental role that they play in the development of the region's economy which is lagging behind in the area of inter-country communications, production and distribution of energy as well as with respect to industries. Such an analysis should make the governments concerned aware of the seriousness of the problems they are facing and how urgently solutions

must be found to them. The projections made clearly show the disastrous consequences that would follow if past trends continued, they also indicate ways and means of attaining a self-sustaining and more balanced development. The study's aim is to show governments that, if current policies are continued they can only lead to an unacceptable situation; it also shows how the objectives of the Lagos Plan of Action can be achieved at the regional level. A symposium was organized on this study from 21 to 23 November 1983 in Dakar.

II. Economic and Social Achievements of the CILSS Countries, 1973-1982

7. The first part of the document studies the economic and social development of the CILSS countries from 1973 to 1982 by attempting to identify major development problems and the weaknesses and shortcomings with respect to economic growth.

(a) Unsteady and low overall economic growth

8. From 1973 to 1982 the gross domestic product (GDP) growth of the CILSS countries was irregular: a very low overall average annual rate of 1.9 per cent which was lower than the rate of population growth for the same period, 2.5 per cent. The reasons for this poor performance were the poor growth of the major sectors particularly the rural sector which, with contributions varying between 48 and 22 per cent (depending on the countries) accounted for the largest share of GDP. The agricultural situation was therefore the crucial factor in the overall economic situation because of its impact on the other sectors and its importance in the economy of the CILSS countries.

9. Other reasons for the poor economic performance during the period under consideration were the persistent drought and poor productivity of the economies, poor development of industry and transport and dependence on external sources of energy. External factors such as the world economic crisis, more expensive energy and manufactured goods also contributed to slowing down economic activity in the CILSS countries. One of the most serious consequences of the slow down in economic activity was the deficit in domestic resources.

10. There were no appreciable changes in the use of GDP during the period. Nearly 91 per cent of expenditure was devoted to final consumption with about 75.5 per cent going to public consumption and 15.5 per cent to private consumption. Gross fixed capital formation was low, an average of between 3 and 16 per cent of GDP in the subregion; its growth in real terms was only 3.2 per cent a year during the period.

11. The CILSS countries had a permanent deficit in the current accounts balance of the balance of payments. There were sharp yearly variations in exports which grew by only 2.5 per cent a year while the deterioration in the terms of trade was 4 to 10.5 per cent a year. The countries were not always able to meet their import requirements with respect to both consumer and capital goods. Imports grew by only 2.1 per cent a year and despite a considerable decline from 1979 onwards, the deficit was constant throughout the period.

Consequently, foreign borrowing increased the debt which increased seven- fold in 10 years from US$708 million to 4944.3 million while debt servicing increased thirty-four fold to US$193 million in 1983. Net disbursements of official development assistance, which amounted to about US$1 billion per year on the average to the eight CILSS countries, were not enough to ease the debt burden.

(b) The main problems of the CILSS countries during the period 1973-1983

12. Of all the problems that affected the region during the period, the drought was certainly the one that had the most significant impact on the economy and the lvies of men. The consequences of the drought, especially on the rural sector were considerable aggravating an already precarious food situation. Cereals production dropped to 35 per cent of the normal level of proeuction and, in countries where stock breeding plays a key role in the rural sector, such as Mauritania, Mali, Niger and Chad, there were very heavy losses in livestock. The drought had a very serious impact on the environment and natural balance.

13. Two other problems that affected the development of the region were rapid population growth and urban development. Between 1973 and 1983 when the population of the CILSS countries reached 32.8 million, the annual rate of population growth was 2.5 per cent.

14. This rapid growth in population was accompanied by a very considerable rural - urban drift which contributed to the rapid development of towns. The rate of urban population growth was 5.3 per cent during the above-mentioned period; there were 5.7 million urban dwellers in 1982 on 18 per cent of the total population. Increasingly difficult living conditions in the rural areas, declining agricultural production and farm incomes were, to a considerable extent, the causes of the flight of people from the rural to the urban areas where they often came up against other problems such as unemployment, delinquency and changes in food habits.

15. Finally, sectoral problems worsened. The agricultural and food crisis became more serious. The cereals deficit was nearly 2 million tons at the end of the period which indicated the failure of the agricultural policies of the CILSS countries. Industry remained an under-developed sector aminly based on the processing of local products and the exploitation of mining resoruces. Its contribution to GDP during the period was not more than 9 per cent on the average. The energy sector remained eavily dependent on the outside world and this widened the external deficit at a time when energy prices had increased considerably. The poor performance of the transport and communications network did not facilitate the development of the other sectors.

16. Thus, the achievements of the 1973-1983 decade were rather poor and no serious progress was made in development.

III. Development Prospects of the CILSS Countries, 1983-1998

A. Presentation of the historical trends scenario which assumes a continuation of current trends

1. Aim of the historical trends scenario

17. The aim of the historical trends scenario is to describe the situation in which the economies of the CILSS countries would be if the trends observed during the 1973-1983 period continued and if no corrective measures were taken. This scenario, therefore, looks more like an alarm signal than a desirable projection of the economy and should invite African leaders to take concrete measures to ensure that the consequences it predicts will not come to pass.

2. Outcome: aggravation of the region's problems by 1998

(a) Overall macro-economic outlook and GDP growth

18. The overall macro-economic prospects of the historical trends scenario are based on the assumption that past trends in key sectors such as agriculture, energy and transport will continue.

19. The GDP would grow by 1.9 per cent per annum as it did during the 1973-1982 period. The population growth rate would remain at 2.5 per cent per annum. This will lead to a considerable reduction in per capita income by 1998. The economic situation will still be dominated by the agricultural sector.

20. With an annual increase of 3.2 per cent, gross fixed capital formation should produce an investment rate of 17.2 per cent of GDP. Exports and imports should grow by 2.1 and 2.5 per cent a year respectively. The poor growth of exports is due to the slight increase in agricultural exports and mining products. The scanty earnings from exports will not be enough to cover import requirements with respect to food, capital goods and energy. Cereal and energy deficits in the region will be so considerable in the region that they are sure to affect the CILSS countries. The subsequent worsening in the current transactions balance deficit. will go hand in hand with increased external debts and debt servicing.

21. The financing problem would not be resolved and a considerable portion of capital would have to be secured from external funding sources since domestic revenue would be too low to generate the resources required. If external aid flows continue to decline investment programmes will be seriously hampered and even the modest growth rate projected for GDP will be difficult to attain.

22. The macro-economic framework of the historical scenario is merely a technical outline to alert governments and the international community to the serious threats facing the CILSS countries.

(b) Increased desertification of the region

23. It is not wrong to think that there will be other periods of drought in the region by the end of the century because the climatic history of the Sahel shows that drought has always been a part of life in the region. Drought should therefore be considered as a permanent factor in the climate of the CILSS countries.

24. Repeated and prolonged periods of drought as those that occurred during the 1973-1983 period, will once again have disastrous effects on the economies, especially on agricultural proeuction. The deserts might spread further and existing water points will be threatened.

25. To avoid such catastrophes, considerable efforts should be made to irrigate large tracts of cultivated land in order to ensure that a portion of agricultural production is not at the mercy of the weather. In order to retain soil humidity, a portion of the Sahel will have to be replanted. Better knowledge of underground water tables and the establishment of many watering points are crucial to the elaboration of a genuine water policy.

(c) Uncontrolled population and urban growth

26. In 1998 the population of the CILSS countries will be 48.8 million inhabitants if the growth rate remains at 2.5 per cent a year. Within a period of 15 years the population of the CILSS countries will increase one and a half times. Such an increase in population will put greater pressure on the food available thus underscoring the need to achieve self-sufficiency in food by 1998. Malnutrition and famine might affect more people.

27. At the same time as the overall population is increasing towns will grow considerably bigger. The urban population will increase by 6.1 per cent a year a year until 1998, by which time about 30 per cent of the Sahel's inhabitants or 14.6 million people will be living in cities thus worsening already existing urban problems such as unemployment, delinquency, insecurity and difficult living conditions.

28. The rapid growth of cities will bring to the fore a new problem which was already apparent during the 1973-1983 period: the considerable decline in the rural population which will seriously affect the farm labour force and the attainment of the objective of self-sufficiency in food.

(d) An alarming food situation

29. Projections with respect to the agricultural situation in 1998 are based on supply projections computed from yields and surface area cultivated in 1982 and demand projections taking into consideration the population increase and the basic food ration for each cereal and country. Projections with respect to agriculture concern only the main cereals produced namely, millet, sorghumm, maize and rice.

30. If the trends of 1973-1983 continue, there will be a net cereals production of 5.3 million tons in 1998 for the whole region as against 4.5 million tons in 1982; this represents an annual growth rate of 1.2 per cent. Per capita cereals production would decrease by 25.4 kgs. from 134 kgs. in 1982 to 108.6 kgs. in 1998, an annual decline of 1.3 per cent, while the population would grow by 2.5 per cent a year. The decline in per capita production is more pronounced in some countries such as Chad, the Gambia and Senegal than in others. The cereals deficit for the region would amount to 4.1 million tons as against 1.9 million tons in 1982. This deficit is increasing by 5 per cent a year. The rate of cereals supply in the region would decrease considerably to 56.3 per cent in 1998. The largest shortfalls in production would be in staple cereals (millet, sorghum, maize) while rice and wheat deficits will be meaningful only in Senegal and the Gambia.

31. Such a situation will result in increased cereals imports and greater dependence on imported food to feed the people. The situation will also be aggravated by the lack of national and regional security stocks.

32. Cash crops will grow very slowly and will not fetch any surplus foreign exchange. Thus, as far as the historical scenario is concerned there are absolutely no prospects for agriculture.

(e) Crippled industry

33. There will be very little development in industry which is mainly based on the development of agricultural resources; will also be by and large hampered by the bad performance of the agricultural sector. The problems of the historical period will persist. The lack of funds will not permit the implementation of crucial industrial projects such as cement factories, sugar mills and mechanical industries and the shortage of qualified personnel will continue to hamper the industrialization of the CILSS countries. Therefore, industry will not develop any more than it did during the 1973-1983 decade if a policy designed to tackle all the problems of industrialization is not implemented.

(f) A more critical situation in the energy sector

34. Until 1998, the growth pattern of the modern energy sector will not differ very much from that observed during the historical period since the main consumer sectors (industry, transport) will experience low growth. On the other hand, the consumption of firewood which will remain the principal source of energy will increase sharply as a result of population pressure while supply will be low. By 1998 the demand for firewood will be 1.45 m^3 per capita while firewood production will be only 0.59 m^3 per capita on the basis of the same growth rate observed between 1973 and 1983. The firewood deficit will be 82.5 million tons in 1998. Production will no longer be enough to satisfy demand and the damage done to the forest and the environment will be irrepairable.

35. The use of alternative sources of energy for domestic purposes and of more efficient wood stoves and the rapid replanting of trees might help to prevent the scenario from happening.

36. The increase in oil consumption along the lines of past trends will yield a per capita consumption of 135 kgs in 1990 as compared to 70 kgs in 1980 or an annual growth rate of 5.8 per cent. Such an increase will sometimes result inalmost unbearable charges for the CILSS countries because of the high cost of oil imports. The CILSS countries would then be forced to reduce their consumption and scale down economic growth.

37. Despite unquestionable potential in hydro-electric power, electricity production will not be enough in 1990 to satisfy demand if trneds continue. It should however be noted that the potential supply of dam-generated electricity is higher than the actual supply observed during the past period. To make good the predictable deficit some countries will be forced to import electricity.

(g) The transport and communications situation

38. The role of transport in economic development has been stressed over the again that is why States often assign an important place to transprot in their development plans. In the CILSS countries, the implementation of the Transport and Communications Decade which would open up the region through the construction of roads and the trans-sahelian railway has been hampered because of financial constraints. For that reason, there is no hope of seeing any significant changes in the current transport situation in the Sahel and the growth of the sector would remain at 1.1 per cent.

B. Presentation of the normative development scenario

1. Aim of the normative development scenario

39. Unlike the historical trends scenario which is merely a projection of trends observed in the 1973-1983 decade, the normative development scenario assumes there will be deliberate attempts to change economic policies implemented until the end of the above-mentioned decade in order to avoid the occurence of the historical trends scenario and be able to control the economy. The normative scenario is based on the objectives of the Lagos Plan of Action and national development plans, i.e., self-sufficiency in food, the accelerated development of energy resources, the strengthening and diversification of industry and the establishment of an integrated transport and communications network.

2. Expected results

(a) Self-sustaining growth

40. During the 1983-1990 period, the GDPshould grow by 6.65 per cent a year as a result of sustained growth in the major sectors.

41. Given the objectives of the normative development scenario, i.e., self-sufficiency in food, less dependence on energy and the development of transport and communications, investments should grow by 8.5 per cent a year. The investment rate would be 24.3 per cent of GDP. States would then be able to invest more as a result of higher revenue. Similarly, the external deficit could be reduced if cereal imports were stopped, oil imports were curbed and agricultural inputs were produced locally. Imports and exports should grow by 1.9 per cent and 4.0 per cent a year respectively.

(b) Self-sufficiency in food

42. Self-sufficiency in food could be achieved through the implementation of policies designed to modernize and effect far-reaching changes in agriculture. Production objectives are many and require the total involvement of the public authorities, the rural masses and sources of financing.

43. If demand is to be satisfied, 9.8 billion tons of millet and sorghum, 2.1 million tons of paddy rice and 683,000 tons of maize would have to be produced.

44. To achieve self-sufficiency in cereals, an annual growth rate of 6 per cent would have to be maintained until 1998. The rural sector as a whole should grow by 5.6 per cent per year until 1998. To achieve this, the total cultivated land would have to expand by 2.5 million hectares of which about 1 million hectares should be irrigated, output per hectare would have to improve considerably and be double the 1982 output and modern production techniques would have to be widely introduced. For example, the output of millet and sorghum should increase from 462 kgs per hectare in 1982 to 835 kgs per hectare in 1998, output of paddy rice from 1130 to 2382 kgs per hectare and that of maize from 682 to 1298 kgs per hectare. The consumption of fertilizer should increase to 40 kgs per hectare. This type of agriculture will be more intensive than in the past.

45. Such changes in current production methods requires appropriate training for farmers and the popularization of new production techniques.

46. The costs involved in modernizing agriculture are high and could be estimated at about US$500 per hectare for dry farming. On this basis, total costs would be US$6 billion or an annual rate of investment of US$375 million. To this should be added the cost of the irrigated land development programme which would be about $8 billion or an annual investment rate of US$500 million. Thus, to acheive self-sufficiency in food by 1998, the CILSS States would have to invest about US$875 million a year.

(c) Reducing dependence on imported energy

47. In the area of energy, the aim of the normative scenario is to achieve greater autonomy for the region and this would call not only for increased protection of forestry resources and rationalising firewood consumption but also developing hydro-electric resources, economizing on imported energy, particularly oil, and improving on-going activities to develop new and renewable sources of energy.

48. Since the consumption of firewood increases with the growth of the population which will almost have doubled in the sahelian States by the end of the century, each country would have to cut down at least 1 million m^3 of wood to meet the increased demand. The normative scenario aims at arresting this trend by reducing and streamlining the consumption of firewood, for instance through the replacement of the current stoves which lose 95 per cent of their heat by stoves that conserve heat more efficiently.

49. This should go hand in hand with a reforestation policy. Firewood consumption would then increase at a slower rate than firewood consumption under the historical scenario - 2.1 per cent a year on the average instead of 6.9 per cent. The deficit would be lower: 31.5 million tons in 1990 as against 82.5 million under the historical scenario.

50. Electricity production will increase by 9.8 per cent a year on the average if current projects on the development of the region's hydro-electric resources continue. Thus, electricity production will increase from 12.1 million kw/h in 1983 to 49.3 million in 1990. Moreover, when the hydro-electric dams become operational reduced the production of thermal electricity will be considerably and this will reduce oil imports. Consumption is expected to grow by 3.3 per cent and bring about a balance between electricity supply and demand in 1990. imports of petroleum products should decline by 2.5 per cent a year as a result of the development of the CILSS countries', resources energy savings and the development of new sources of energy.

(d) An integrated transport and communications network

51. The construction of an integrated transport and communications network will promote the development of other sectors particularly by facilitating the supply of raw materials and capital goods to local industries facilitating the shipment of export products and strengthening co-operation among countries of the area. A denser transport network will make it possible to provide greater assistance to ill-endowed regions in times of prolonged drought and to supply cities which will be bigger by 1990 with the greater quantities of food required.

52. The transport and communications network could be improved in several ways: continuing activities aimed at opening up landlocked countries, planning and co-ordinating the development of facilities to be used jointly by countries, improving the maintenance of networks and the profitability of transport networks as well as their competitiveness. The transport and communications sector should grow by 6.5 per cent a year, the same rate as that of the GDP.

(c) Faster industrialization

53. Industry including the mining sector should experience an annual growth of 8.6 per cent as a result of the development of the energy, manufacturing and mining sectors. Efforts to improve the financial situation of enterprises that currently have deficits should be continued by improving management which will lead to increased productivity.

54. Industrial capacity should be strengthened mainly through the development of small and medium sized enterprises that are better suited to the requirements of the region. Finally, industrial co-operation among CILSS countries should lead to the harmonization of industrial projects and, in the long run opening the markets of the CILSS countries to other countries of the region.

IV. Recommendations of the Dakar symposium

55. Given the disastrous consequences described in the historical trends scenario, the Dakar symposium established a programme of action to enable CILSS States to implement the proposals of the normative trneds scenario in order to achieve the global development of their economies and ensure that they are self-sustaining: the symposium also defined future courses of research in key areas of the policies implemented.

(a) Proposed action

56. The Dakar symposium recommended the establishment of priority programme for reconstructing the Sahel requiring new strategies and economic policies which were totally different from those implemented during the 1973-1983 period. The strategies should aim at developing the main sectors and would focus on:

1. A policy of food self-sufficienty, aimed at rehabilitating the agricultural sector of the CILSS countries. Under such a policy priority would be accorded to developing the rural sector by committing 20 to 25 per cent of total investment to agriculture.

57. CILSS States would also have to promote attractive and remunerative producer prices and thus ensure that cash crops are competitive in order to keep farmers on the land and thus halt the rural - urban drift.

58. The symposium underscored the importance of concerted action against drought and desertification which have devastating effects on the environment. The symposium advocated a policy of intensive reforestation and rational management of forestry resources. Similarly, it was deemed crucial to develop water resources and irrigate a greater portion of cultivable land to ensure that agricultural production will not be at the mercy of the weather.

59. In the area of animal husbandry, the symposium recommended the continuation of activities aimed at reconstituting livestock, and further developing livestock products and by-products.

60. In the area of fishery, more fish should be produced and special attention should be accorded to fish farming.

2. A policy on the accelerated development of energy and mineral resources focusing particularly on the development of hydro-electric resources and new and renewable sources of energy to reduce dependence on imported energy. Priority should also be given to supplying urban and rural areas with electricity.

3. A transport and communications development policy designed to facilitate trade among countries and promote the economic integration of the subregion. The construction of road and railway networks linking CILSS countries is deemed crucial for promoting co-operation among the States particularly for attaining the objective of national and regional food self-sufficiency. Greater attention should also be paid to maintaining existing networks, renewing and modernizing stock.

4. An industrial diversification policy focusing on increasing the production of agro-industrial, intermediate and capital goods as well as agricultural inputs.

61. All the above-mentioned activities presuppose a high rate of GDP growth of the order of 6 per cent per annum as well as investments which should grow at 8.5 per cent bringing the investment rate to 24.3 per cent of GDP. The increase in investments would, to a large extent, be made possible by international financing agencies which should continue to provide financial assistance to CILSS countries; it should also be the result of the implementation of new policies which, in the long run, are likely to generate part of the investment resources required. In the immediate future, the symposium favoured rescheduling the external debt of CILSS countries and gave support to aid policies that are coherent and better suited to the development priorities of the subregion.

62. Recommendations were also made regarding the strengthening of co-operation among countries and greater efficiency in methods of management and planning.

(b) Research departments

63. The symposium identified specific areas in which in-depth research was required such as how to design better methods of analysis and forecasting and of production of reliable statistical data in order to predict the reaction of various economic factors to the policies implemented. Research should also focus on economic strategies and policies, particularly sectoral policy, research policy, the effects of the external sector on the economies of the Sahelian countries, assessment of constraints to growth and the role of the State in development. A last chapter assigned to research concerned the social problems of development, population policies, the consequences of urbanization, employment, manpower training and the consumption model.

64. A more thorough study of the various aspects of economic development would throw more light on the economies of the CILSS countries and permit the preparation of economic policies that are better suited to the requirements of those countries.

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REVIEW OF PROGRESS IN SHORT-TERM FORECASTING AND MULTI-SECTORAL PLANNING MODELS

Introduction

1. In accordance with ECA resolution 500 (XIX) on short-term forecasting in the African region, ECA Secretariat continued to assist African countries in the implementation of these systems. It will be recalled that this work was started in 1982 where initial contacts were made to start the process of installing forecasting systems based on the Social Accounting Matrices. During the period under review, the work was followed up and the system implemented in some of the countries. Further contacts were also made with other countries with a view to finding out their interest in establishing SAM-based forecasting systems.

2. In general the work proved to interest many countries which believed that the tool would be useful for identifying short-term bottlenecks and generating possible solutions. In some countries, the work was undertaken with the assistance of the World Bank. In other countries, however, problems of resources to undertake the preliminary surveys for data constrained the commencement of the forecasting system. Further, the period under review was characterised by a very serious crisis in many African countries thus detracting much of the attention away from planning to survival emergency programmes.

3. The present paper gives an overview of the experience that the secretariat gained in the implementation of the system in some countries. Specific issues and proposals are derived from this experience for the benefit of the countries that might, in the future, wish to establish the forecasting system. Part two of the paper also gives an analysis of a complementary project dealing with multisectoral planning models. This is found to be particularly important in view of Africa's Priority Programme for Economic Recovery adopted by the 21st session of the OAU. The implementation of this programme will, no doubt, require a thorough understanding of the sectoral linkages in the individual African countries. Planners would, therefore, have to translate the programmes' priorities into national consistent sectoral programmes focussing on agriculture.

PART I - SHORT-TERM FORECASTING IN AFRICA: OVERVIEW OF PROGRESS

4. Subsequent to the initial ECA/ADB efforts to implement the SAM-based model in Zimbabwe, Cameroon, Zaire, Rwanda, Mauritius, Egypt, Sudan and Ivory Coast, the work was advanced further during the period under review in Mauritius and Rwanda. Models for these countries were formulated and tested first at the ECA secretariat and then missions were mounted to install them in the countries themselves. This work enabled the secretariat to have clear insights into the implementability of these models. The problems encountered both at the secretariat in the model formulation and testing and in the country during the installation of the models are outlined below.

Requirements for model operationality

5. The exercise of building an elaborate national model requires certain basic elements at the national level. While many countries have shown tremendous interest in the SAM-based models, the absence of some of these elements proved to be a major constraint in ensuring the possibility of even initiating the model exercise. Of the basic major prerequisites for establishing a SAM-based short-term forecasting model the following are critical:

(a) Basic data especially as regards an input-output table, and appropriate disaggregation of other variables such as value added by factor input, exports by sector and by markets of destination, financial data etc.

(b) Computer facilities including appropriate software for different compuer languages, regression analysis and other data manipulation packages.

(c) Core of staff trained in computer programming or operations, econometric analysis etc.

1.1 Data requirements

6. The requirements of data that a highly disaggregated Social Accounting Matrix requires can, sometimes, be enormous. This is because the SAM often necessitates highly disaggregated data that often may not be readily available. Further, not all African countries have an input-output table which is the nucleus of the SAM-based models. As such, some countries found tremendous difficulties in collecting the necessary data. In some countries, the implementation of the forecasting model actually was only possible because the country undertook a complete survey of the economy to establish an input-output table. In other countries, the ECA secretariat had to establish an input-output table from previous surveys before the model could be implemented.

7. The degree of disaggregation of the basic national accounts variables is also a major requirement for the efficiency of a SAM-based forecasting- system. Variables like investments have to be disaggregated into government and public investments and then further into the different sectors. Similarly consumption has to be disaggregated both at the sectoral and institutional levels. Value added in each sector has to be split into the various factors as returns to capital, wages, rent etc. All this disaggregation constitutes a major burden for the statistical services of the countries. In the face of this major constraint the ECA secretariat has often made changes in the model of the country concerned to make it less demanding statistically. The major elements of these modifications are:

(a) reduction in the number of sectors covered: it is felt that ten sectors would usually be sufficient in showing the path of short-term developments;

(b) limitations of the level of disaggregation: for institutions it is usually possible to limit it to government and private institutions while for factors of production capital and labour are often sufficient;

(c) complementing the data available with independent estimates from a brief research aiming at establishing certain proportions (e.g. for dividends, inter-institutional transfers etc.).

8. Admittedly, the modifications and approximations that are made reduce both the coverage, reliability and operational efficiency of the model. It, therefore, must be emphasised that it is clear from the secretariat's experience in implementing the SAM-based models that there is urgent need to improve the statistics in African countries. Indeed it should be stressed that one of the most important aspect of embarking on a SAM in a country is the possibility of identifying the data gaps that the statistical services must fill for the plan to be able to clearly map the history and future of the economy.

1.2 Computer implementation of models

9. The running of any model requires the facilities of a computer. Most of the African countries do have a computer in the country in ministries or other organisations. However, the experience of ECA in installing models at the country level has shown that it is absolutely necessary to have a computer in the ministry in which the model is to be run. This is because the running of alternative scenarios and data up dates require the constant availability of a computer. Fortunately the new generation of small personal computers should make it possible for the relevant ministry or department to acquire, at low costs, a computer. However two problems must be stressed in this regard. Firstly, the computer on which a model is to be run should have adequate minimum core capacity in the range of 128K - 248K. This is because the storage of model data and alternative scenario formulations require relatively large storage space. This requirements should not be difficult to fulfil as there are many micro computers with high core capacity. Indeed ECA has been able to install a SAM-based model on a micro-computer in one of the African countries. The other requirement is that of the computer language. As of now, the ECA installs the forecasting models in the FORTRAN language. Country computers should therefore possess a "Fortran" compiler.

10. Another aspect that has emerged in the installation of forecasting models has been the easy-of-operation of the model programme. It is desirable that the computer operations needed to make a run should be as simple as possible. Essentially the model should be "packaged" so that it can be interactively run in "conversation" mode. The ECA secretariat is still studying this problem in order to come up with an easy user-friendly package.

1.3 Manpower requirements

11. For the successful implementation of forecasting models at the country level it is essential for the country to have the requisite staff. In the countries where the models have been installed, it has been found necessary to train this core staff in (i) operating the computer (ii) basics of programming (iii) updating and changing the model to suit the evolving economic situations. The problem so far identified in the countries relates mainly to the shortage of resources for external training of staff.

1.4 Model structures and their improvement

12. As noted earlier, the data problems often determine the extent and structure of the model in terms of the variables that can be forecast and/or those that can be used as explanatory variables in the model equations. But even when data is available, experiences with the installed model has shown one major weakness. This relates to the fact that presently the SAM-based models are in physical terms i.e. they deal mainly with variables at constant prices. The integration of domestic prices and financial variables such as devaluation, inflation has not yet been attempted in the models. The secretariat plans to embark on this question and come up with a model that includes these variables which do influence the short-term direction of the African economies. Besides this unique problem, experience has shown that the models differ from country to country depending on the structure of the economy and the type of policy questions that the country wishes to analyse.

1.5 Issues and dissemination and model application

13. The model is not an end in itself. The utility of the model lies in the insight it can give to planners regarding alternative policy options. From this point of view it is vitally important that countries that establish the various types of models establish a system of disseminating the results of the model and thereby ensure the maximum application of policy choices in decision making. From the experience of ECA three aspects have been identified as being very useful in ensuring that model results become inputs in the decision process at the country level. These aspects relate to (i) Inter-ministerial Task Force, (ii) Seminars and (iii) frequent pulbication and updating of results.

14. The establishment of an Inter-ministerial Task Force would ensure that the model is widely discussed and known in the various ministries. In this way the inputs into the model would have a large and reliable base while the results would be able to reach a wide spectrum of those involved in taking economic decisions. Thus while the particular ministry that runs the model would have its own core staff of forecasters this should be linked to other ministries to benefit from cross-fertilisation of ideas.

15. Seminars which have been tried in one of the countries in which the model has been installed by ECA have also shown to be very useful in disseminating the results of models and generating interest in the questions of economic management. Here two ytpes of seminars must be distinguished. First there are national seminars where the participation is at the national level. The second type is the international seminar where the model and its results are brought to the attention of the international community such as donors, neighbouring countries, agencies of the United Nations system etc. Each type of seminar has its specific advantages and the country should decide on which of the two types it needs most. It must nevertheless be stressed that the frequency of the national seminars must be kept high at say twice a year as to maintain the momentum. International seminars on the other hand can be undertaken less frequently.

Concluding remarks

16. The ECA secretariat has always underscored the importance of economic management and planning. This emphasis must be reiterated especially in view of Africa's Priority Programme 1986-1990 which will, inter alia, require the formulation of specific programmes at the national level. Thus the ECA secretariat stands ready to assist the countries in establishing short-term forecasting models to help them devise and decide on policy options in the short-term.

PART II. WORKSHOP ON MULTI-SECTORAL PLANNING MODELS

2.1 Background

17. For the last five years or so, the ECA secretariat has been heavily engaged in a series of programmes in building planning models with the objective of helping the African countries in the formulation of economic strategies and policies within a coherent and consistent national development framework. Besides the work in planning techniques and methodologies suitable for Africa's pressing problems, the ECA programme of work also aims at building the appropriate capabilities in modelling at the country level. At present, the modelling work has been extended to encompass short-term forecasting and outlook models based on social accounting matrices as discussed in Part I.

18. In 1980, the ECA completed a series of macro-economic projection models which were used to generate policy options for Africa in both the International Development Strategy for the 1980s and the Lagos Plan of Action. The studies relating to these models were submitted to the first session of the Joint Conference of African Planners Statisticians and Demographers in March 1980, who made various recommendations such as the extension of the models to cover multi-sectoral analysis and also to supplement the macro- and long-term models by short-term forecasting models.

19. Pursuant to the recommendations of the First Session of the Joint Conference, a study on sectoral output and employment projections was undertaken and submitted to the Second Session of the Joint Conference of African Planners, Statisticians and Demographers in March 1982. The study on sectoral output and employment projections was carried out using various methodological approaches to take account of the peculiarities of the different economic systems in Africa.

20. Subseqeunt to these studies the Second and Third Sessions of the Joint Conference pointed to the need to improve on multi-sectoral models, especially as regards (i) the introduction of changes in technical coefficients over time, (ii) the incorporation of the informal sector in planning and (iii) the inclusion of financial variables relating to prices, balance of payments, money and finance. The Second and Third sessions of the Joint Conference of African Planners, Statisticians and Demographers recommended the convening of a workshop on multi-sectoral planning models for African planning experts to examine the work in the above areas. The objectives and planned activities of the workshop are given below.

2.2 Objectives of the workshop

21. The objective of the workshop on multi-sectoral models is to improve planning machinery and building the appropriate capabilities in modelling exercises at the country level in order to help the African countries in the formulation of

economic strategies and policies. As recommended by the Second and Third Sessions of the Joint Conference, the experts would discuss a number of topics and make concrete proposals regarding the implementation of the models at the country level.

2.3 The main topics to be covered during the workshop

(a) The integration of the informal sector in multi-sectoral development planning

22. Under this topic, an attempt would be made to understand: (a) the emergence of the informal sector in developing African countries; (b) the interlinkages between the formal and informal sector, and (c) the interrelationships between the growth of the formal sector and the informal activities.

(b) The dynamization of input-output technical coefficients: experiements in long-term projections of economic growth in developing African countries

23. The areas to be covered under this item relate mainly to input-output techniques. The methodologies of dynamising the input-output coefficients would be reviewed. Illustrations will be given on how to update input-output table using various methods. This is particularly important in view of the shortage of resources that are available to construct new tables that reflect changes in relative price and in technology. The workshop will also examine the importance of dynamic input-output table techniques in dealing with problems of changes in the capital structure and reosurce allocation.

(c) The treatment of price and balance-of-payments variables in short-term SAM based forecasting models

24. The workshop will examine the problem of introducing prices in the input output part of the SAM. The introduction of the major external variables (like world commodity market situation, balance of payments, availability of official flows, debt service burden etc.) will also be examined in order to assess the impact of these variables on the overall forecasting system.

(d) Elaborate modelling of the energy sector for improved energy balance in Africa methodological framework

25. The workshop will examine new approaches in modelling the use of fuel wood on deforestation in African countries. The approach based on reference energy systems will be discussed along with the patterns of energy consumption for households and producing sectors. Scenarios reflecting different patterns of energy use and demand and projections up to the year 2000 will be discussed.

2.4 Inputs into the workshop

(a) Inputs expected from country experts

26. In view of the technical nature of the topics, the workshop will be attended by national experts in the fields outlined above. In order to have a wide coverage of national experiences, twenty countries or research institutions will be expected to participate. Each expert will be expected to provide a short paper on the national experience in the use of methodologies relating to multi-sectoral planning models.

(b) Inputs expected from other UN organisations

27. Other United Nations Agencies - namely the Department of International Economic and Social Affairs (DIESA), UNCTAD, UNIDO and ILO have in the past few years prepared world economic outlooks and perspective studies, including those of the African region. The inputs of these specialized agencies and bodies of the UN system will be of crucial importance. These UN agencies will be expected to provide information to participants on the techniques they use for forecasting and perspective studies:

- UNCTAD will be expected to present a paper on item (c) outlining its experience on price and balance-of-payments variables in developing Africa;
- UNIDO will give its experience in using input-output techniques in development planning;
- ILO will deal with modelling of the informal sectors;
- DIESA will give a review of models used in the global perspective studies.

2.5 Financing the workshop

28. The project is expected to be financed under the USSR/UNDP Trust Fund. The financing will ocver a limited number of national participants and lecturers, along with other UN participants. USSR will act as host for the seminar and will contribute towards the administrative and organizational costs.

2.6 Organization of the workshop

29. Participating governments will be expected to nominate one senior official in the field of socio-economic development planning to attend the seminar. Basic planning and model building knowledge will be required of each participant who is also expected to enrich the seminar with the experience of his/her country in these fields. A total of 20 participants will be accepted for the seminar. Interested officials should fill in the questionnaire annexed to this report and submit it to the secretariat.

ANNEX

Questionnaire for Participants in Workshop on Multi sectoral Planning Models: Moscow, USSR, Third Quarter 1986

1. Name _____

   Functional Title _____

   Office or Department _____

   _____

   Ministry _____

   _____

   Country _____

2. Subjects of Interest _____

   _____

   Indicate whether you can prepare a country paper on the following topics:

   1. The integration of the informal sector in multi-sectoral development planning;

   2. The dynamisation of input-output technical coefficients: Experiments in long-term projections of economic growth in developing African countries;

   3. The treatment of price and balance-of-payments variables in short-term SAM based forecasting systems;

   4. Ellaborate modelling of the energy sector for improved energy balance in Africa: a methodological framework.

   Indicate approximately date of submission of the paper (all papers must be submitted before June 1986 and should not exceed 10 pages).